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Johnston Given Memorial Award

Eric A. Johnston, President of the Chamber of Commerce of the United States, has been selected as this year's recipient of the Captain Robert Dollar Memorial Award. Selection of the recipient of this annual Award was made by a Committee comprising 41 members representing every section of the country and appointed for the purpose by the Trustee of the Award, the Board of the National Foreign Trade Council. The Chairman of the Committee, J. D. Fletcher, Vice-President of the Caterpillar Tractor Company, made the announcement on May 25 at the World Trade Luncheon, in the Hotel Astor, in connection with New York's observance of National Foreign Trade Week, James S. Carson, presiding.

Eric A. Johnston

The Award, which takes the

(Continued on page 2272)

In This Issue

Special material and items of interest with reference to dealer activities in the STATE OF PENNSYLVANIA appears on page 2258.

General index on page 2280.

Post-War Problems—Can They Be Solved Only By One?

By DR. IVAN WRIGHT

Professor of Economics, Brooklyn College
Sometime Special Executive of the New York Stock Exchange

Effort to organize post-war economic problems and analyze their possible management and solution leads quickly to the conclusion that there is no one post-war economic problem, but that there are multitudes of post-war economic problems and, like all the economic structure, each is part and parcel of the others. Any attempt to segregate one main problem or one main line of problems and devise solutions for them is doomed to failure unless such efforts are in conjunction with all other economic problems upon which any one problem will depend and in cooperation with which a solution for one is not possible without affecting the solutions of other main economic divisions of society.

Dr. Ivan Wright

Classification of Problems

No organization or classification of post-war economic problems would be complete without enormous detail of subsidiary problems and related problems which might run into many volumes. But a brief classification of the main central divisions which comes to the mind of anyone familiar with current discussions would be as follows:

1. The reconversion from a war economy to a peace time economy. This problem is so large and com-

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Socialized Transport And The Future Of Enterprise

By HERBERT B. DORAU*

Professor of Public Utilities and Transportation, New York University

Economist Points To Trend of Transport Socialization By Means Of Subsidies Rather Than Government Ownership—Says Under Socialization Prices Are Not Based On Costs And Therefore "An Honest Price System Requisite To Free Enterprise" Disappears, So Socialization Will Mean End Of Private Operations Of Transportation Services And Creation Of Government Monopoly

During the last quarter century the people of this country have become increasingly preoccupied with the distribution of their wealth and income and alarmingly unconcerned about increased production. In a less academic vernacular it might be said that we have taken to scalping each other rather than devoting ourselves to producing more of the goods and services which make for a higher level of well-being.

Herbert B. Dorau

Even the necessities of war have not corrected this misemphasis, although we have given a dramatic demonstration of the possibilities of full production which if carried over into peace time would result in such a volume of goods and services as to mock all previous conceptions of a high standard of material well-being.

Socialization is one of the more cultivated, camouflaged and surreptitious means employed to accomplish the economic scalping of one class by another. It is a means

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*Address delivered before the Institute of Transportation, at the Waldorf-Astoria Hotel, May 23, 1944.

(Continued on page 2264)

Facing Forward

National City Bank Executive And Vice-President Of The ABA Discusses The Problem Of The National Debt In Connection With Fifth War Loan Drive—Urges Bankers To Increase Bond Sales To Investors And Thus Remove Impetus Toward Inflation

In an address before the Convention of the Maryland Bankers Association of Baltimore, on May 26, W. Randolph Burgess, Vice-Chairman of the National City Bank of New York, who is also Vice-President of the American Bankers Association, pointed to two prime problems arising out of the national debt; viz: (1) keeping the debt under control by halting government deficits after the war, and (2) preventing the increase in debt from unduly increasing the volume of bank deposits and thus promoting inflation. "A few years ago," remarked Mr. Burgess in discussing this two-fold problem, "many people shook their heads when Secretary Morgenthau said, in reply to a question put in a Congressional hearing, that he would not be worried to see the national debt go to 50 billion dollars. At present the debt is 185 billion dollars, and is likely to exceed 250 billion before the war is over."

W. R. Burgess

Continuing, he said, "it is not

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Post-War Outlook For Building

By CLYDE SHUTE*

Assistant Vice-President of F. W. Dodge Corporation

Post-War Building Will Proceed Immediately And Rapidly Under Government Controls In A More Orderly Fashion Than After Previous War. Higher Materials And Labor Costs And Heavy Disposals Of Government Properties May Retard Construction. Estimates That Total Construction Volume In Decade After War Will Be $9.6 Billions At Pre-War Price Levels, Or About Twice The 1930-1939 Volume

Rather than devoting a lot of time to the presentation of post-war building volume estimates, I want to try to give you some background data and present some of the problems which will affect, if not actually determine, the contribution construction will make to a successful economy.

Clyde Shute

The post-war period we are all looking forward to will be comparable in many important respects to the period following World War I, because during World War I, as now, a system of government regulations almost stopped all normal civilian building and thus created a large deferred demand. Price inflation and both price and rent controls also became important factors affecting construction demand.

It took six years after World War I to satisfy the accumulated construction demands, but the six-year period—1919 through 1924—however, was not a period of continuous recovery. As you all know, all industry suffered an interruption in late 1920 and 1921 by a depression that accompanied the deflation of all prices which had risen so wildly during 1919 and the early part of 1920. Therefore the actual time consumed in taking care of the accumulated deferred construction demand was about four years. But instead of riding on a plateau, or even declining some, after meeting the

(Continued on page 2272)

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*An address made before the Securities and Capital Markets Division of the New York Chapter of the American Statistical Association, Hotel Sheraton, New York City, on May 24, 1944.

J. R. Smith Partner In R. W. Proctor Co.

R. W. Proctor & Co., 30 Broad St., New York City, specialists in United States Government securities since 1933, announced today that J. Ryan Smith had been admitted as a general partner in the firm. Mr. Smith has been serving as the Director of the Procurement Control and Redistribution Division of the Lend-Lease Administration at Washington, D. C. Prior to entering the Government service he was President of J. R. Smith & Co., Inc., and before that Vice-President of C. J. Devine & Co., Inc.

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"Hard Money" Examined

Herbert Bratter, At Request Of Congressman Bloom, Analyzes Proposals To Establish International Bimetallism—Monetary Expert Holds Silver Advocate's Contentions Confused, His Assumptions Unwarranted, And His Conclusions Unconvincing

In a memorandum addressed to Congressman Sol Bloom, Chairman of the House Foreign Affairs Committee, Herbert M. Bratter who for several years was a Government expert on silver and monetary matters, and who in 1921-23 was in China with the Chinese Government Bureau of Economic Information, analyzed the recent arguments of Mr. Francis H. Brownell in support of international bimetallism. Mr. Brownell, who is Chairman of the Board of American Smelting and Refining Company, appeared before Congressman Bloom's Committee on April 28 and presented his views, the substance of which was published in the "Chronicle" of May 11, page 1920.

Herbert M. Bratter

Mr. Bloom subsequently addressed a letter to Mr. Bratter, requesting the latter's "reaction to Mr. Brownell's views." In his reply, Mr. Bratter submitted the following suplementary memorandum, which we publish in full:

Bimetallism Defined

Bimetallism may be defined as governmental maintenance of an unlimited market for two monetary metals at prices for each fixed in terms of the currency and of each other, coupled with provision for the unlimited sale of the two metals upon demand at the same prices and the exchange of either metal for the other at the official ratio. Under bimetallism the currency is based on the two metals. These metals are convertible into currency upon demand of any person and conversely the currency is freely redeemed upon demand in either of the two metals.

Thus, with gold-silver bimetallism in operation in any country or countries, miners and other sellers of silver and gold would be assured of a fixed price for unlimited quantities of each of these metals, and holders of the national currency or currencies concerned would be assured of obtaining from the government either metal they might desire, upon demand, at the fixed price, and without maximum limit as to quantity.

Mr. Brownell's Recent Arguments For Bimetallism Analyzed

The following analysis is based on Mr. Brownell's testimony of April 28, 1944, before the House Committee on Foreign Affairs; on his prepared statement of that date as distributed to the press; on his pamphlet, Hard Money,

(Continued on page 2260)

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Hearing On NASD "5% Spread"

In our last issue we reported that due to the efforts of the "Securities Dealers Committee" there was every likelihood of an early hearing before the SEC on the "5% spread limitation rule" established by the NASD.

This presents some interesting speculations.

On several occasions we have asked what, if anything, transpired between the respective representatives of NASD and SEC on the subject of the "5% rule" prior to its promulgation. Unfortunately, our editorial inquiries have met with no response, hence the necessity for speculation.

Did these organizations confer on this subject at all? If not, there was gross stupidity somewhere, since the SEC has supervisory power over the NASD, and appellate jurisdiction with respect to its disciplinary proceedings.

We do not incline to the view that stupidity is the long suit of the officials of either the SEC or the NASD.

Hence, our belief that such conferences did in fact take place.

Who spoke with whom, and what was said?

The pity of it is that no official of the NASD has ventured to deny that such conferences took place, or to

(Continued on page 2269)

NASD Mark-Up Rule Impediment To Opening Of Venture Capital Marts

Measure Would Curtail Markets For Securities Of Small Business, Dealers Say

One of the most unfavorable characteristics of the nation's economy almost continuously since 1929 has been the unwillingness of so-called venture capital to come out of hiding. The effect of this condition in terms of minute production and large-scale unemployment during pre-war years is still too fresh in mind to require detailed discussion in this space. Neither is it pertinent to the purposes of this discussion to dwell on the vital necessity for a change in attitude on the part of the tax-gatherers and other sources, such as the Securities and Exchange Commission, toward that type of investment.

It is important, however, that attention be called to any program or policy calculated to add to existing difficulties, such as the recently promulgated 5% mark-up rule of the National Association of Securities Dealers. That this measure, arbitrarily imposed by officials of the NASD, will have a detrimental effect on the further development and growth of small business, a major source of venture capital and bulwark of the nation's economy, would appear to be irrefutable. For evidence of this fact, we need only refer

(Continued on page 2274)

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Bank Developments During And After The War

Dr. Nadler Sees No Significance In Reserve Ratio Decline Since Currency Is No Longer Redeemable In Gold. Holds Post-War Period Will Be Marked By Less Currency And A Gold Inflow. Sees Banks Using Excess Reserves To Acquire Government Securities. Looks For Little Change In Interest Rates And Says Banks Are In Sound Condition

Dr. Marcus Nadler

In discussing post-war banking prospects before the 49th Annual Convention of the Maryland Bankers Association at the Lord Baltimore Hotel in Baltimore, Md., on May 25, Dr. Marcus Nadler, Professor of Finance at New York University and Consulting Economist of the Central Hanover Bank & Trust Co. of New York expressed the view that during the remainder of the war period banking developments will be approximately the same as during the last few years. Continuing, he said, "the holding of Government securities by the banks as well as the volume of their deposits will increase. The ratio of capital assets to total deposits will continue to decline while the volume of loans will remain, on the whole, unchanged.

The Reserve Ratio

"One of the problems which is receiving considerable attention in banking circles today, is the constant decline in the ratio of gold and cash reserves of the Federal Reserve banks to notes in circulation and demand deposits, brought about by the constant increase in the volume of currency in circulation and by the moder-

(Continued on page 2276)

Monetary Plan Does Not Mean Return to Gold Standard: Keynes

Fears expressed in the House of Lords that the latest version of the proposed international monetary stabilization plan might mean a return to the gold standard were disputed by John Maynard Keynes, author of Britain's original monetary plan, who was reported in advices to the "Wall Street Journal" from its London bureau as saying:

"I should say this plan is the exact opposite," Lord Keynes declared during the debate on the scheme.

From these advices we also quote:

"The British Government, he added, is determined to see to it that the external value of the pound sterling conforms to its internal value, as set by domestic policies, and not the other way around. The Government also intends to retain control of the domestic rate of interest, he said, and while it means to prevent inflation at home, will not accept deflation at the dictate of outside influences.

"Finally, Lord Keynes argued it would be disastrous to discourage this beginning of international cooperation, or to meet it with 'carping suspicions or in a cynical mood,' when there is so much to be done in the way of international collaboration.

"He told his listeners that in waging war without counting the cost, Britain had burdened itself with a huge foreign indebtedness. It already has given to the common cause more than it can afford, and must try in any post-war financial pact to make sure it can carry its burdens.

"Britain and its colonies' share in the proposed international monetary fund will be £325,000,000 ($1,300,000,000), or probably more than double the reserves Britain will hold at the

(Continued on page 2273)

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Individual Responsibility Alone Can Provide Post-War Jobs

Co-author Of Baruch-Hancock Report Believes "First Step Securing Post-War Employment Is To Get More Employers"—Holds National Prosperity Can Be Restored Only "On The Basis Of The Enterprise System" And That "The Congress Alone Can Provide The Atmosphere In Which Our Economy Can Again Become Dynamic."

John M. Hancock

John M. Hancock, co-author with Bernard M. Baruch of a plan for transition from a war to a peace economy, in an address delivered at a dinner in honor of the winners of the "Pabst Post-War Employment Awards," emphasized the need for a restoration of individual responsibility in an enterprise economy, and called for a return to "the old proven economic principles to bring about the results which can be brought about in no other way."

"When the time for writing and talking ends," stated Mr. Hancock, "when the time for action is here, when we start to deal with post-war employment we are going to be in the position of having thought about the problem in advance. We will not be plowing in a strange field. Those who are interested will have gone through a great course in mental gymnastics. I see still many signs of diversity in the plans. It would be strange if this were not the fact with the multitudes of people and organizations working on post-war employment plans. With some 36,000 people, two big army divisions, occupied in this one contest, one may well wonder how we can win the war, though we can readily understand why, with so many busy on post-war plans, there is no unemployment problem now. The great indoor sport of the nation has been post-war planning during the past six months and I surmise it will again become the great outdoor sport as soon as park benches—in Lafayette Square and elsewhere—can again be used for the purpose.

"With the multitude of planners the probabilities are that there will be no one plan but there should be many elements which will be agreed upon. I can foresee only a great tug-of-war of all of the ideas that could form a part of a complete post-war employment plan. Many of these ideas will be pulling in opposite directions and no one is going to know how much of a pull each will exert, leave alone knowing in all cases in what direction any individual idea was tending. After reading over the winning manuscripts I thought the problem seemed so simple for the cures read so smoothly.

"For some reason the human mind in these days puts great reliance in a 'plan.' Today 'national planning' takes the same place in public thinking as 'industrial efficiency' and 'organization methods' have taken during the past thirty years. Of course, to develop these plans people must have the figures on which to base them. This explains the great thirst for figures on the part of the entire public and the somewhat ready acceptance of such figures just as if they were facts. Those of us who have been spending some time in Washington have to get into a foxhole when we face the barrage of figures. Everyone seems to have a figure at the end of his tongue and few seem concerned about whether the figures represent facts. Having lived for some time facing this barrage of words,

(Continued on page 2278)

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Arthur J. Messing Is With Herzfeld & Stern

Arthur J. Messing, well known in financial circles for fifteen years as the author of the widely quoted "Reading the Charts." has joined Herzfeld & Stern as co-manager of their 500 Fifth Ave. office, and will continue to write his market letter for them. Mr. Messing was associated with Hirsch, Lilienthal & Co. for several years.

Seeley & Lindley To Be Formed In N. Y. C.

Daniel Allen Lindley, member of the New York Stock Exchange, and de Benneville K. Seeley are forming the Exchange firm of Seeley & Lindley with offices at 61 Broadway, New York City, as of June 8th. Mr. Lindley was recently a partner in Bates & Lindley.

Interesting Growth Stock

Panhandle Eastern Pipe Line Company offers an interesting growth stock according to a detailed circular on the situation issued by Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York City. Copies of this comprehensive discussion may be had on request from Arnhold and S. Bleichroeder, Inc.

Attractive Situation

Western Light & Telephone common offers interesting possibilities, according to a memorandum being distributed by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

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Stewart Back At Desk With Harriman Ripley

R. McLean Stewart, Vice-President and Director of Harriman Ripley & Co., Incorporated, 63 Wall St., New York City, has resumed his activities with the firm upon completion of his special war work as Executive Director of training with the Civil Aeronautics Administration in Washington. More than 200,000 members of the armed forces of the United States received their initial training as pilots in flying schools operating under Mr. Stewart's direction.

Norman J. Powers Is With Leason & Co.

(Special to The Financial Chronicle).

CHICAGO, ILL.—Norman J. Powers has become associated with Leason & Co., Inc., 39 South La Salle Street. Mr. Powers was formerly with Kneeland & Co. in their stock department. In the past he was with Adams & Co. and Brown Brothers Harriman & Co.

BOUGHT — SOLD — QUOTED

American Gas & Power Company	Deb.	3-5	due 1953
American Gas & Power Company	Deb.	3.6-6	due 1953
Central States Power & Light Corp.	Deb.	5	due 1945
Consolidated Elec. & Gas Co.	Coll. "A"	6	due 1962
Pennsylvania Gas & Electric Corp.	Deb.	6	due 1976
Public Utilities Consolidated Corp.	1st	5½	due 1948
Seattle Gas Company	1st & Ref.	5	due 1954
South Bay Consol. Water Company	1st & Ref.	5	due 1950
Southern Cities Utilities Co.	1st Coll.	5	due 1958
Telephone Bond and Share Co.	Deb.	5	due 1958

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A Plan For Post-War Employment*

By HERBERT STEIN

Chief of Economic Analysis Section, War Production Board
Winner, First Prize, Pabst Post-War Employment Awards

First Prize Winner Offers An Immediate Five Point Program, Comprising (1) Prompt Disposal Of Government Surpluses; (2) Prompt Sale Of Government War Plants; (3) Centralization Of Disposals In Single Agency; (4) Maintenance Of Wartime Level Of Taxation; And (5) Termination Of OPA and WPB Within Year After Hostilities—Long Term Reforms Cover Taxation, Fiscal And Monetary Changes

Herbert Stein

The establishment of a high, stable level of employment after the war will require maintenance of output at a level much in excess of any level attained in peace-time — perhaps 40% above the 1939 level. There are two basic methods by which a high level of national output may be attained. One requires a high level of government spending. The operation of this method is visible during the war, when national output reached record levels under the impetus of a huge volume of government spending. The second method requires stimulation of a high level of private expenditure. The plan set forth here proposes measures for solving the employment problem by this method. This method is chosen as the only one consistent with the achievement of other national objectives — political democracy, personal liberty and efficient satisfaction of wants. While recognizing the effectiveness of controlled government spending as an instrument of economic stabilization, the plan recommends a number of more fundamental policies and

(Continued on page 2278)

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*This is the essay that was awarded the first prize of $25,000 by the Pabst Post-War Employment Awards, 551 Fifth Avenue, New York City.

Frank C. Moore Forms Own Firm In New York

Frank C. Moore has formed the Frank C. Moore Co., with offices at 42 Broadway, New York City, to engage in an investment business. In the past Mr. Moore was a partner in Frazier Jelke & Co.

Appreciation Possibilities

New England Power Association 6% cumulative preferred stock offers attractive appreciation possibilities, according to a detailed memorandum on the situation issued by G. A. Saxton & Co., Inc., 70 Pine St., New York City. Copies of this memorandum, a circular on Associated Electric Co., and the current issue of the firm's "Preferred Stock Guide," containing quotations and comparative data on public utility preferred and common stocks, may be had from G. A. Saxton & Co. upon request.

Utility Attractive

According to a detailed circular on the situation prepared by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange and other leading national Exchanges, New England Public Service Co. offers attractive possibilities. Copies of this interesting circular may be had from Ira Haupt & Co. upon request.

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Post-War Employment Must Provide For 45% Increase In Labor Forces: Henry A. Theis

Guaranty Trust Company Official Holds That Before Accepting The Challenge To Make This An Accomplished Fact, "Business Should Insist That It Be Freed From Unreasonable Laws, Rules And Regulations"

Henry A. Theis

Speaking before the Wartime Banking Conference of the California Bankers Association at Pasadena, Cal., on May 25, Henry A. Theis, President of the Trust Division of the American Bankers Association, and Vice-President of the Guaranty Trust Company of New York, pointed out that if business is to undertake successfully in the post-war period the job of full employment that the Government tried and failed to accomplish in the 30's, business must find work for discharged soldiers, redistribute workers now engaged directly and indirectly in war work, and find employment for the growing generation as its members become of age.

"A conservative estimate of the work to be offered to the post-war labor forces will have to be 45% greater than that of 1939, in order to provide full employment," Mr. Theis continued.

"There has been striking evidence in recent months to indicate that the public is turning away from the politician to the business man to solve the post-war employment problems. Business, before accepting the challenge,

(Continued on page 2280)

Schram Salary Rise Refused By Bureau Of Internal Revenue

The application for an increase in the salary of Emil Schram, President of the New York Stock Exchange, has been decided in the negative by the salary stabilization unit of the Bureau of Internal Revenue, on May 26, according to the New York Herald Tribune of May 27, which also said:

Exchange officials replied promptly that, regardless of this decision, Mr. Schram would continue at the present rate of compensation for a term which is now being negotiated.

Mr. Schram's term as President at a salary of $48,000 a year expires on June 30 and the board of governors had made application to the Treasury Department for permission to increase his remuneration to $55,000, which would have been equivalent to a 10% raise net. Mr. Schram has been paid non-member president for the last three years and the new contract to be announced shortly, is expected to cover a similar period.

Hoerlein in Syracuse

SYRACUSE, N. Y.—R. George Hoerlein is engaging in a securities business from offices at 600 James St.

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Industry's Use of Electric Power

The Federal Power Commission recently issued a 177-page study on "Electric Power Requirements of Industrial Establishments" from which have been compiled the figures in the accompanying table.

The largest war-time gain in use of electricity was registered by the transportation equipment industry, which in 1944 used nearly sixteen times as much current as in 1939. This of course was due to the transmutation af stagnant industry, with considerable idle capacity, into one working practically all plants twenty-four hours a day. Non-ferrous metals showed the next largest increase, probably due to the huge demand for aluminum; and chemicals third, because of their close relations with munitions and the drug industry. The 217% gain in the machinery industry was to be expected, but the increase of 100% for steel was perhaps smaller than might have been anticipated.

The figures here cited are not on the same basis as those reported for the electric light and power industry by the Edison Electric Institute. They are based on figures reported by some 21,000 establishments for 1939-42, with estimated use for 1943-44. These companies use over 90% of all the electricity consumed by manufacturing and extracting industries in the United States.

Turning to the Commission's table of "Electricity Requirements by States" we find that in 1944 New York State used slightly over 10% of the nation's total, Pennsylvania 9% and Ohio 8%; Michigan and Illinois were about even with 6%; Washington because of its aluminum plants used 5%, and Tennessee and Texas about 4%.

For those interested in war-time shifts of industrial activity, these figures should prove valuable.

	Millions of Kilowatt-Hours		%
	1939	1944	Increase
Manufacturing industries:			
Chemicals	9,811	32,636	232%
Nonferrous metals	5,956	28,560	380
Iron and steel	12,235	24,329	100
Paper	9,394	11,941	27
Textile	6,805	9,977	47
Food	6,388	8,386	31
Transportation equipment	482	7,635	1,490
Stone, clay and glass	4,852	6,437	33
Petroleum and coal	3,440	6,296	82
Machinery, except electrical	1,985	6,254	217
Automobiles	2,467	4,668	90
Electrical machinery	1,432	3,895	172
Rubber	1,584	2,075	31
Lumber	1,238	1,668	36
Miscellaneous	466	1,005	115
Printing	859	989	15
Furniture	605	904	50
Leather	402	531	32
Apparel	353	454	29
Tobacco	115	153	34
Totals	70,869	158,793	123%
Extracting industries:			
Coal mining	3,523	5,408	54%
Metal mining	2,912	4,380	50
Nonmetallic mining	813	1,291	59
Petroleum and natural gas	837	938	12
Totals extracting industries	8,085	12,017	50%
Totals all industries	78,954	170,810	115%

Baldwin & DeLap Join Staff Of Cruttenden in Los Ang.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — Eugene C. Baldwin and Floyd C. DeLap have become associated with Cruttenden & Co., in their recently opened office at 634 South Spring St. Mr. Baldwin was formerly with Sutro & Co., and prior thereto was assistant manager of the bond department of the California Bank. Mr. DeLap was with Crowell, Weedon & Co.; in the past he was an officer of Hartley Rogers & Co., Incorporated.

Bank Stock Earnings

Huff, Geyer & Hecht, 67 Wall Street, New York City, have issued an interesting discussion of the prospective earnings on bank stocks for 1944 and 1945. Copies of this discussion, and memoranda on The Chase National Bank of New York, National City Bank ance Company, and Glens Falls Insurance Company, may be had upon request from Huff, Geyer & Hecht.

Also available are a table of comparative issuance stock values and a detailed memorandum on Employers' Group Associates.

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"Our Welfare Is Bound Up With That Of Other Nations": Nelson

Chairman Of War Production Board Advocates Aiding Undeveloped Regions To Build Up Sound Industries—Points To Disappearance Of Isolationism As Favorable Factor In Effecting International Trade Agreements On "A High Volume Of World Trade"—Views Complicated And Perplexing World Economy" After The War

Donald M. Nelson

In speaking before the Conference of Commissions of Inter-American Development at the Waldorf-Astoria Hotel, New York City on May 17 Donald M. Nelson, Chairman of the War Production Board, emphasized the immediate need, "at a time when we are coming to close grips with the enemy," for the Governments of the United Nations and all friendly neutrals to "make economic decisions which will touch the life of every man in the world."

"From the first days of the war," continued Mr. Nelson, "the War Production Board has recognized that in order to tap the full fighting power of the United Nations we had to look beyond our own borders. And we had to look beyond direct military needs. It was not enough to provide vast quantities of weapons for our fighting men and for the fighting men of our Allies. It was not enough to provide an immense volume of essential goods for our civilians. In addition, we had to find means to produce civilian goods for export. We had to help our allies and friendly neutrals avoid serious civilian shortages. For it was clear that such shortages could dislocate their wartime economic life and weaken their contribution to the over-all war effort. As soon as we faced this

(Continued on page 2273)

Will We Have An Economic Pearl Harbor After The War?

By LEO H. RICH*

Associate of Walter Dorwin Teague, Industrial Designer

To Avoid Serious Production Gap And Unemployment In Reconversion, Industrial Engineer Urges Immediate Start In Redesigning And Retooling For Post-War Needs. Looks For Larger Consumer Demands For New And Better Products. Advocates Change In Income Tax System To Encourage "Risk Capital"

Leo H. Rich

An Economic Pearl Harbor after the war is not inevitable. The prolongation of hostilities is giving management the opportunity to plan for the reconversion of plants and equipment. Reserves are being set aside to meet the costs of this reconversion. For example, seven automobile companies, excluding Ford, have earmarked 382 million dollars for this purpose.

The transition from war to peace-time production is not a sudden break, but rather a series of gradual and overlapping steps. We are well along in the first of these phases now that the peak of war production has been passed. Cut-backs and contract cancellations are becoming more frequent. Surpluses of materials are being accumulated both because of increased output and because the losses through attrition have been less than expected. Reemployment of large numbers of demobilized service men has proceeded without disruption. Our military program now is one of maintenance of production rather than initial building of plants for making war equipment. Construction now constitutes only 5% of the 1944 war production program compared to 38% in 1941.

Without diverting any effort from war production, it has been possible to do designing and engineering on many new and improved products. Our own organization, while largely engaged in work for the ordnance departments of the Army and Navy, has designed many new models and products which our civilian clients hope to have ready when the war stops.

(Continued on page 2275)

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*An address made by Mr. Rich at the dinner meeting of the New York Chapter, American Statistical Association, Hotel Sheraton, New York City, on May 24, 1944.

Tomorrow's Markets Walter Whyte Says——

Hot weather and holiday doldrums take effect on market. Rails facing double barrier; industrials up against three or four. Break-out signs, in either direction, lacking.

By WALTER WHYTE

What with the Memorial Day holiday and the warm weather, the stock market didn't do much of anything in the week ended Wednesday night. It had a few starts but they all turned out to be false alarms. Board room customers finding the action dull are either staying away or, if they do come in, are busy discussing war strategy.

* * *

The important news of the week is the advance in Italy made by the Allied forces. The first announcement that the drive had begun was played up so strongly that a great many people saw the beginning of the end right around the corner. The market, acting in sympathy with the news, advanced. But as the news clarified, showing that the going was by no means as easy as first accounts led us to believe, the market declined fractionally, yawned, and went back to sleep again.

* * *

The disappointment of the week was in the rails. So much had been said about them, so many people were either long of them, or favorably inclined, that their inability to show anything resulted in a let down. Fact of the matter is that the rails have been up against a technical obstacle that precluded any further advance. It is possible that the group can take the hurdle but based on present and recent action, signs point the other way. Based on the Dow averages the rails have two stumbling blocks to overcome. The first is a March high of about 41; second is a mid-April high of about 40.50. In both cases the group (when it made those levels), looked as if it was going through to a new high. In both cases it failed. Now they are back to across the 40 figure and the same old hopes and beliefs are being heard. There is a chance that this time the rails will go through with a zip. But buying stocks when they're butting against previous highs is seldom the wise thing to do. Rather than getting in here, I would advise waiting to see if they have enough get-up-and-go to take 'em through.

* * *

But if the rails are up against a double barrier, the industrials are confronted with a whole slew of them. Last March's 141.43 figure is

(Continued on page 2277)

Regulated Monopoly Or Competition In Transportation

By SIDNEY L. MILLER*

Professor of Transportation, State University of Ohio

Transportation Expert Rejects Monopoly As Wasteful And As Leading To Government Ownership—Favors Comprehensive Regulation Under A Single Strong Regulatory Body, With A Co-ordination Of All Types "To Recognize And Preserve The Inherent Advantages Of Each"—Places Efficient Public Service As The Supreme Test In A Transportation Policy

Sidney L. Miller

The transportation problem, like the poor, is with us always. The nature of that problem and emphasis shift; upon occasion it has been acute, crying for positive action, and upon occasion it has been merely chronic, asking for but mild correctives. Prior to the development of war traffic, the problem was, basically, two-fold: shrinking an over-size transport plant to available traffic, and, at the same time, adapting old and new forms of transport to the pattern of today's need in an effort to utilize to the maximum the particular merits of each form. Post-war, it is quite certain that shrinkage will again be in point, except as we are determined to continue obvious wastes; and it is certain that constructive action is essential if the public is to benefit from the most effective utilization of each of the several forms of transport — constructive action as against a continuation of "muddling through." Lacking such ac-

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*An address delivered by Mr. Miller before the Institute of Transportation at the Waldorf-Astoria Hotel, New York City, May 23, 1944.

(Continued on page 2270)

Bache Sees Expansion Of Banking, Brokerage Activities After War

An expansion of brokerage and banking activities after this war similar to that experienced after the last war, was predicted by Harold L. Bache, one of the senior partners of J. S. Bache & Co., 36 Wall Street, New York City, on the occasion of the annual dinner of the Bache Quarter Century Club. The event was a double celebration in that it marked the 25th anniversary of the opening of the Chicago and Schenectady branches of the firm, in addition to honoring the admission of new members.

Among the special guests was Arthur F. Broderick, senior floor partner of the firm and former Governor of the New York Stock Exchange, who joins the club after 25 years of service. Other members were admitted from the Chicago, Schenectady, Troy and Buffalo offices.

In commenting on the opening of the Chicago and Schenectady branches in the spring of 1919, following the first World War, Mr. Bache said: "There will again be an expansion of brokerage and banking activities after this war. The record savings now being accumulated by millions of workers and small business men throughout the country will undoubtedly be seeking profitable investment when peace conditions return. On the demand side, there promises to be unprecedented requirements for new capital from business in this country, as well as from sources throughout the world."

N. Y. Trust Co. Interesting

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting bulletin discussing the current situation in New York Trust Co. Copies of this bulletin may be had from Laird, Bissell & Meeds upon request.

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The Post-War Period Of The Railroads

By W. WENDELL REUSS*

Partner, McLaughlin, Baird & Reuss

Basing Estimates On Prospective Post-War Automobile Production, Broker Says The Post-War Rail Revenue Should Be Between $5 and $7 Billions Annually—Highest In Peace-Time Since 1929. Believes Increased Post-War Wages Will Be Offset By Greater Efficiency, While Debt Reductions And Refundings, Together With Excess Profits Credits, Will Enable Fixed Charges To Be Met Even With Greatly Reduced Earnings

W. Wendell Reuss

Able economists are more freely appraising the Post-War prospects for the railroads and, using Gross National Income (Product) as a base, are more readily forecasting annual Gross Operating Revenues for Class 1 Roads for such period ranging between $5½ and $7¼ billions.

The speaker has no quarrel with the range of the potential Gross Revenues estimates, believing that the figures are reasonably conservative; however, fault is found with the failure of most estimators to give any approximation as to the duration of such revenues estimates.

That is why the speaker still holds to his basis for forecasting the Post-War level for Class 1 Freight Revenues, which embraces the use solely of the Automobile Industry's Production Record. Not only does **THIS** basis reach an accord with the volume figures arrived at by use of Gross National Income (Product), but the results—to the speaker's belief—are much more convincingly arrived at in the eyes of the layman, **BESIDES** providing some measure of duration of the Post-War level of traffic.

Division of the annual rate of U. S. Passenger Car Production into U. S. Freight Revenues for Class 1 Roads for the years 1935 through 1941, results in the following freight revenues annually **IN TERMS** of passenger cars produced.

1941	$1,184
1940	957
1939	1,134
1938	1,428*
1937	862
1936	903
1935	858

*Influenced, unnaturally, by the impacts of the 1938 year's depression.

Skipping the years 1930-34 inclusive because of a repetition of such depression year's influences, and taking the 1929 showing, it is found that that year's result equalled $1,052.

Thus, we have a **CONSTANT** of roughly $1,000 in freight revenues **IN TERMS** of each passenger car produced.

It has been estimated variously that the backlog of automobile production is in the neighborhood of 26,000,000 units; proration of the 1929 peak production rate (4,587,000 units) would indicate the need of such level of productio for very close to six years. However, it is possible that the auto manufacturers, with their prospective excess plant in the Post-War period, would desire to reconvert into extra auto manufacturing facilities, on the basis of which annual output of possibly as high as 6,500,000 units might be arrived at, the backlog thereby theoretically being equal to four years' production.

Thus, we have a minimum and maximum potential output rate range of 4,500,000 and 6,500,000 units annually, good for six to four years!

Multiplication of the **CONSTANT** of roughly $1,000 in freight revenues per car produced under the minimum-maximum possible annual production rate of 4,500,000-6,500,000 units, results in possible Post-War **FREIGHT REVENUES** (as distinguished from Gross Operating

(Continued on page 2268)

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*An Address made before the American Statistical Association at Hotel Sheraton, New York City, May 24, 1944.

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Donald Nichols V.-P. Of Ames, Emerich Co.

CHICAGO, Ill.—Announcement is made that Donald E. Nichols has become associated as a Vice-President, with the Chicago investment firm of Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Chicago Stock Exchange.

Mr. Nichols, who has been active on La Salle Street for the past twenty-two years, was formerly President of Ryan-Nichols & Co.

Dernbach in Chicago

CHICAGO, ILL.—William A. Dernbach is engaging in an investment business from offices at 122 South Michigan Avenue.

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Real Estate Securities

By JOHN WEST

CAUTION

This Column for the most part has been bullish on real estate securities and rightly so. Individual issues which we recommended have in the majority risen in price after such recommendation. Occasionally, however, we have interposed a note of caution. Caution is one of the fundamental elements in security buying. It is predominately a necessary pre-requisite when investing or suggesting an investment. As far as real estate securities go, they have had a very sharp increase in market value. This fact is not the reason alone for our advice of caution. Despite the price, we feel that many issues are still selling far below their intrinsic value and that current prices are only a partial correction of the unequitable low prices at which this type of security has sold in the past. There are some issues of course that have been carried up in price by this corrective move which are now selling higher than they should. These can easily be weeded out by a simple study of the value of the property in relation to the value put on its mortgage by the market price of the mortgage securities. Our suggestion of caution concerns itself rather with several situations of peculiar and especial circumstances that require specific recognition.

Lack of help and materials has become a serious factor in the operation of improved real estate. Depreciation charges have heretofore been considered a bookkeeping item to be used as an allowable tax deduction. Incidental painting and minor repairs were formerly made when necessary and charged to current operating expenses. Now, in many cases, these small details are being neglected or put off because of the help or material situation. No longer can the axiom of "a stitch in time saving nine" always be followed and the result is actual depreciation.

Indentures of many real estate issues provide for the payment of interest to the bondholders from net receipts of the properties **before** depreciation has been deducted. These issues are generally the result of a reorganization and in many cases the bondholders are also the actual owners of the property securing the bond issues. It would behoove present bondholders of these issues to give serious consideration to their situation and think about setting up a cash reserve for depreciation so that after the war, funds would be available to rehabilitate their property for their ultimate benefit. A new investor in the same securities would exercise caution were he to assure himself of one of two things; either to make sure that a cash reserve was being set up should necessary repairs be postponed, or if an examination of the financial statement of the property reveal no cash surplus, then, either make, or have made, a personal inspection of the property to make sure that it was physically being kept in first class shape.

Real estate securities usually offer yields higher than that of other corporate securities. But, when the yield seems too high, caution would suggest an investigation to determine that part of the earnings of the property are being used to retire your debt. The Government does not allow a tax deduction for depreciation just out of the goodness of their hearts. Improved real estate does become obsolete in time and an investment in an issue that doesn't amortize its debt is not as good as one that does.

Caution also suggests the advisability of considering the effect of new construction after the war. New construction is bound to have an adverse effect on some present real estate ventures. For instance, let us consider tenements. Some real estate experts claim that the best real estate to own is "bread and butter" realty. They place tenement property in this category on the theory that it caters to the very low wage earner and that no matter how great a depression, enough people will be found to locate and live in housing if the price is cheap enough. Another feature of this type of real estate is that some of it consists of "cold water flats" eliminating the expense of furnishing heat and hot water. Title certificates secured by mortgages on this type of property have been popular and have been commanding fairly good prices despite the questionability of the security. Some of these properties are as much as 40 years old and their obsolescence is decidedly apparent. After the war, many of these properties and the title certificates secured by them are bound to be injured by the competition of low cost "slum clearance" projects scheduled to be erected by the large insurance companies. This new modern housing will not only outmode the properties mentioned above, but will also outadvantage them with tax exemption.

Real estate bond issues securing properties in the Garment Center section of New York City have recently moved upwards in price because of the demand for this type of space resulting in higher rents and better income for the bond issues. In this section, we would also like to call attention to an "after the war" caution. A group of enterprising real estate men, a short while ago purchased a very large plot of ground in this locality. It is said that they plan after the war to construct an ultra-modern mercantile building that will have three features not currently enjoyed by the present buildings constructed here. The features are: complete air conditioning, an interior loading platform and a garage underneath the building for the tenants cars. We doubt if the present buildings will be able to make the structural changes to compete with the latter two features of this proposed building, but they will in all probabilities be forced to install air conditioning. This will be an expensive proposition, but no doubt necessary to retain their tenants. Buyers of bonds in this locality should, therefore, be careful to buy only those whose earnings are sufficient to stand unusual expenses after the war or at least those where the financial condition of the ownership corporation is good.

Some operators of properties have had the foresight to improve their properties to compete with almost any condition. For instance, the operators of London Terrace, whose bonds are paying 2% fixed interest today, in addition to the regular fixed interest, have been continually furnishing the apartments of this property out of current income. A furnished apartment is usually more saleable than an unfurnished apartment and the percentage of occupancy of the apartments in this house has been conclusive proof of this wisdom. Proof enough, to make the extra interest distribution.

Another example of this method was used by the operators of 1088 Park Avenue, another bond issue. The situation here is quite different than London Terrace, because the suites of this house are large and those at London Terrace small. Because of their size, the apartments at 1088 Park Avenue were difficult to rent. It was impossible to reconstruct them into smaller apartments because of war priorities. While it is the intention of the management to make such an alteration after the war, they were resourceful enough to furnish some of these large apartments in the interim. Their adroitness was successful in reducing the vacancies to the extent of paying carrying charges of the building and making small interest payments on the bond issue.

Hotels are currently having such an over-abundance of business that most of them have been able to reduce their funded debt considerably. This is an attractive situation. Lower interest charges for the future as a result of the reduction of debt should make extra funds available in the future for necessary replacements.

A. E. Higgins With Nat'l Sec. & Research

Douglas Laird, Vice-President in Charge of Sales of National Securities & Research Corporation, 120 Broadway, New York City, announces that Arthur E. Higgins has joined that organization as wholesale representative in Greater New York. Mr. Higgins was formerly associated with Bond & Goodwin, Inc.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a comprehensive analysis on Great American Industries which the firm believes appears attractive at current levels. Copies of this interesting analysis as well as circulars on Bartgis Bros. and United States Lumber may be had upon request from F. H. Koller & Co.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Rodney W. Williams, general and special partner in Tucker, Anthony & Co., New York City, retired as a general partner in the firm as of May 31st. He continues as a special partner. Mr. Williams will no longer act as alternate on the floor of the Exchange for Page Chapman, Jr.

John D. Warren retired from partnership in Gammack & Co., New York City, on May 31st.

Washington Dodge withdrew as a partner in Arthur Wiesenberger & Co., New York City, On May 31st.

Cole, Hoisington Co., Investment Counsel

Formation of the firm of Cole, Hoisington & Company, Incorporated with offices at 120 Broadway, New York City, to act as investment counselors and economic consultants is announced by Franklin Cole and Harland W. Hoisington, together with a number of their former associates in the investment counsel organization of Lionel D. Edie & Co., Inc.

Franklin Cole

H. W. Hoisington

Mr. Cole for the last eight years has served as Executive Vice-President of Lionel D. Edie & Co., Inc., his association with that firm dating back to 1933. Prior to that he was for ten years with the Baltimore investment banking firm of W. W. Lanahan & Company, recently merged with Alexander Brown & Sons of that city, Educated at Johns Hopkins University, Mr. Cole served as ensign in the United States Naval Reserve in the last war. He has interested himself broadly in tax legislation and foreign and domestic economic conditions and has gained recognition as an authority in these fields.

Mr. Hoisington has been active in the investment banking and the investment counsel business for more than twenty years, serving as manager of the Pittsburgh and Newark offices of the Guaranty Company of New York, and for seven years was with Lazard Freres & Co., supervising sales and research. He joined the Edie organization two years ago.

Also associated with the organization of the new firm are: Thomas B. Comstock, Herman U. Clark, D. Fremont Bearer, Raymond Ziesmer and Edward S. Flash. Mr. Comstock was associated with Calvin Bullock before joining the Edie organization nine years ago, while Mr. Clark was with Halle & Steiglitz for seventeen years. Mr. Bearer and Mr. Ziesmer will represent the firm in Pennsylvania and California, respectively, and will be located in Pittsburgh and Los Angeles where they were with the Edie organization for a number of years.

Attractive Situations

Panama Coca-Cola Bottling and Coca-Cola Bottling Co. of New York offer interesting situations according to circulars being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of these circulars may be had from the firm on written request.

Also interesting at current levels is Butterick Co., Inc. A circular discussing this situation may also be had from Hoit, Rose & Troster on written request.

Rails Offer Interest

Gary Railways common and Memphis Street Railway preferred offer interesting possibilities, according to memoranda issued by Bittner & Co., 80 Broad Street, New York City. Copies of these memoranda, into which are incorporated news of recent developments in the situations and earnings, may be had from Bittner & Co. on request.

Facing Forward

(Continued from first page)

strange that many people are seriously concerned about this debt,—how we can ever pay it, and what it will do to us in the meantime. This debt is a dominant feature of the economic landscape. It is the central element in the relation of the banks and the government. Discussions of the subject range from terror-stricken fear to the happy nonchalance of some of the theorists who appear to believe there is practically no limit to debt expansion.

"The problem of the debt eventually boils down to two principal questions. The first of these is whether we have the common sense and determination to halt the long succession of deficits after the war, and thus check the growth of debt. Already we have had nearly fourteen years of running a deficit, and we have to look out that we don't get the deficit habit. Placing restraint upon spending will take a lot of guts, and may disappoint a good many people, but it's got to be done if we are to keep the debt problem under control, hold our currency sound, and inspire people with confidence to do business and give employment.

"The second question has to do with carrying the debt we shall have. There are two parts to this question—(1) the question of paying the interest, and (2) the question of the effect upon the volume of purchasing power, and hence upon prices.

"As to (1), interest at present rates may be something like 6 billion dollars a year; and that is not an impossible sum, though it means a larger national budget than we like to contemplate, especially in view of the need to maintain our armed services, take care of war veterans, and run the peacetime government. The budget prospect is not hopeless but it is bad enough, so that every added proposal for government spending ought to be put to the acid test. A most serious danger is that the high level of taxes, necessary to meet this post-war budget will act as a damper on enterprise and employment. The character of the taxes will have to be judged from this point of view.

"The second part of the question of carrying the debt is the danger a big debt involves of a tremendous increase in the outstanding volume of money—principally of course in the form of bank deposits. This increase in money means an increase in purchasing power. Based on past experiences, such an increase means inflation unless we are very careful and wise indeed.

"Government debts are different from private debts by reason of the fact that the government controls the creation of money. That is the reason why governments very seldom default when they find themselves heavily in debt. Instead of doing that, they increase the amount of money in the country and pay their debts with this extra money, which is usually depreciated in value. This is the old familiar process of inflation.

"The whole operation of government finance in these days is so gigantic, and apparently so out of our control that most of us feel pretty helpless about it. But the real fact is that we are not helpless at all. It is we, the people, who really determine how much the government spends and whether this huge government debt will unbalance our whole economy, or whether we take it in our stride, as this great country has in the past taken in its stride so many extraordinary economic developments.

"There are, of course, certain things which government has to do with preventing inflation. Its whole policy of price control, spending, method of financing, taxes, all these are basic to resisting inflation, but over and beyond them, are many fields of action where the people themselves make the decision. Let me mention a few.

"First, price controls and rationing cannot work without the cooperation of the people, and there are many prices that are largely beyond government control. For example, there is the price of farm land. Since 1939 the price of farm real estate in the United States has risen 36%, and this is exactly the same percentage increase as in the years 1914 to 1919. While it is true that the rise started this time from a lower level, the trend lately has been accelerating, and will bear watching. The farmer went broke after the last war largely because he went in debt to buy land at constantly rising prices. It would be a good idea this time to buy bonds instead of land.

"That leads me to the second great area in which the voluntary action of the people is supreme, and that is the sale of war bonds. To the extent we can sell war bonds to investors we avoid the increase in bank deposits which is the great cause of inflation. Here is where the banker can make his most effective war effort.

"As bankers, we can take great pride in our part in the sale of bonds. A substantial proportion of the State and County chairmen of Treasury Committees are bankers. The Treasury tells us that something like 80% of the bonds sold in the last drive were sold through the banks, either by the efforts of the banks themselves, or by the efforts of others whose work was made easier because the banks handled the mechanical operations of issuing the bonds.

"From the very beginning of the war the Treasury has consulted with a committee of bankers in its war financing program, and I think it is fair to say that our recommendations have been helpful to the Treasury. Generally speaking, the program of great war bond drives has been a magnificent success.

"In the Fifth War Loan, the banks want to do a finer job than ever before. We want to sell more bonds to the people, so it will not be necessary for us, as banks, to buy as many. This is because when banks buy the bonds it adds to the fuel of inflation, for it creates bank deposits. It is not a healthy thing for the banks, either, to be so swollen with government bonds. In the long run that is not a normal banking business.

"The committee of the American Bankers Association has been discussing with the Treasury methods of cooperation, in order that our work in the Fifth War Loan may be effective. A program has been worked out by this committee, the essence of which is that every bank will be asked to canvass its own depositors and sell them bonds. As far as possible, this should be done by face to face interviews. The Bankers Association is sending to every bank a plan of action, which we believe will be generally followed.

"Every bank will be asked to fix a quota for itself in the War Loan and then will be asked to report several times during the drive the number of sales and the dollar amount of sales made through it. These figures will be collected by the local War Finance Committee who will send the results back to the participating banks. It will be a competition in service.

"While our boys are fighting in every corner of the world, this will be our primary task toward winning the war, for our success in selling bonds will go far toward determining what kind of world our boys will have to live in when they come back.

"There is something about these War Loan drives, also, that is bigger than the economic effects. They are more than an effort to raise money. They are an opportunity to stimulate and renew the loyalty of the American people to their country and to its ideals. They are one national enterprise in which there is no minority, and in which there can be complete unity of feeling and action. They are a vital expression of patriotism. We bankers can be proud that we have a leading place in this great enterprise."

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NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is number thirty-four of a series.*

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After the Victory Parades

If your bump of optimism (that's what the phrenologist calls it) has suffered some severe contusions; if you feel discouraged re. the future of the world in general, and of your own country in particular—well just go around and listen in to a lot of meetings these days. I mean post-war planning conferences held by important trade and manufacturing groups, and by America's most important industrial concerns.

I have avoided the term "big business" you may have observed. The term is anathema to quite a few of our people who perhaps lose sight of the fact that *big* business makes possible the existence of thousands of *small* businesses.

But that's not what I started out to talk about. What buoys me up is the acceptance of post-war responsibilities by American business . . . the all important task of converting men and machines to peacetime pursuits. And, invariably, first on the list of *musts*—expressed in every meeting this writer has attended—is providing jobs and opportunities for the returning boys of our armed forces. Business—Industry—makes no bones about it. There just wouldn't be any of our vaunted "American Free Enterprise" were it not for the jobs these boys are performing—away from home.

So American Industry is planning for the "home-coming" . . . for the adjustment of young lives to peaceful pursuits. And this adjustment may not be precipitate . . . may take a little time, and tolerance, and patience. But leave it to America. We broke the world's record gearing up for war—we'll break another record re-gearing for Peace!

And, don't you worry—you guys over there. Just you finish your job and—COME HOME! And after the Victory Parades—we'll get down to business!

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Louis Groch Becomes Res. Mgr. In Detroit Of Hornblower & Weeks

DETROIT. MICH.—Louis J. Groch has been appointed Resident Manager of the Detroit Office of Hornblower & Weeks, Penobscot Building.

Mr. Groch has formerly managed the Detroit and Albany offices of J. S. Bache & Company.

Have started in 1916 with an Ohio municipal firm Mr. Groch has had a broad experience in the securities business including the handling of stock accounts, the underwriting and distribution of corporate and municipal issues.

After returning from France where he was in the Army Air Services in World War I, he represented securities firms in Minneapolis, Duluth, Chicago, Philadelphia, and most of the past 15 years in New York.

Hornblower & Weeks, among the first New York Stock Exchange houses in Detroit, opened their office here in 1908 and have been located in the Penobscot Building for about 35 years. The firm was established in 1888.

Since January, 1943, Charles R. Perrigo, a Chicago partner has been in charge of the office during the absence of the Resident Partner, James J. Phelan, Jr. who is a Captain in the Army Finance Corps and now serving in India.

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Pennsylvania Brevities

The Investment Traders Association of Philadelphia will hold its annual Spring Outing at Manufacturers' Country Club, Oreland, Penna., on June 16. Golf, softball, tennis and swimming will comprise the afternoon activities. President George J. Muller, Janney & Co., announces that competition in golf will center in a contest for the I.T.A.P. Cup, offered this year for the first time. Alfred W. Tryder, H. T. Greenwood & Co., is chairman of the Outing and William J. McCullen, F. J. Morrissey & Co., is in charge of reservations. About 400 are expected.

The Philadelphia Bankers and Brokers Bowling League completed its 1943-44 season with a banquet last week. Teams finished in the following order: Hecker & Co., Montgomery, Scott & Co. "A," E. H. Rollins & Sons, Butcher & Sherrerd, Reynolds & Co. and Montgomery, Scott & Co. "B." Harry Strickler, Buckley Brothers, was elected president of the League for the 1944-45 season.

At the closing session of the golden anniversary meeting of the Pennsylvania Bankers Association, held in Pittsburgh last week, Dr. Harold Stonier, executive manager of the American Bankers Association, stated that the nation's banks are planning tremendous credit pools to meet post-war financing needs, which will provide their own insurance against credit risks and will make Government loans and guarantees not only unnecessary "but actually contrary to sound financial policy." T. C. Swarts, Woodlawn Trust Co., Aliquippa, succeeded Charles W. Bothwell as President of P.B.A.

According to Roy G. Bostwick, Pittsburgh attorney, who is representing public security holders of the Pittsburgh Railways Co. system, the Philadelphia Company is approximately 30 days behind schedule in collating data to form the basis of tentative bids for publicly held issues. The delay was occasioned by the illness of a member of Philadelphia Company's legal staff. In a letter, Mr. Bostwick assures security holders that Philadelphia Company is still highly desirous of concluding negotiations.

Lukens Steel Co., announces the purchase of a Coatesville property formerly owned and operated by the Bethlehem Steel Co. since 1923. Sale included the Bethlehem office building, the old charcoal boiler tube plant, Corey Field and approximately 1,523 acres of land including railroad tracks and storage yards.

The Pennsylvania Co. has been authorized by the Interstate Commerce Commission to issue $35,000,000 of secured notes, proceeds to be used to provide a part of the funds required for redemption Aug. 1 of $44,779,000 of 4¾% secured bonds now outstanding. The new notes are to consist of $15,000,000 series A and $20,000,000 25-year 3⅛% sinking fund notes, series B, the former to be sold to banks and the latter to insurance companies without public offering.

In approving the issue the Commission held that a fee of $87,500 to be paid Kuhn, Loeb & Co. for services is not excessive. Payment of the fee had been protested by a stockholder of the Pennsylvania RR. and by Senator Shipstead of Minnesota.

George H. Pabst Jr., Vice-President of the Pennsylvania RR., in defending the fee of $87,500 paid to Kuhn, Loeb & Co., stated that this was less expensive than competitive bidding would have been. Mr. Pabst stated that Kuhn, Loeb & Co. did not fix the fee, but left this to the issuing concern. The information was submitted to the Commission after the protagonists of competitive bidding had complained of the fee of the banking house, and reached the Commission close on the heels of that body's decision, May 10, requiring competitive bidding for most rail security issues after June 30.

Mr. Pabst in his letter said: "It seemed to the company that it should not offer, as the minimum for this service, an amount that would be less than the customary brokerage commission on sale of securities. If the company had $35,000,000 of securities for sale through a broker, the customary brokerage commission would amount to ¼ of 1%, or a total of $87,500.

"It is obvious that if these notes had been sold to an investment house, with or without competitive bidding, the spread to the investment house would have been largely in excess of ¼ of 1%. Moreover, if the notes had been sold at a public offering, requiring registration with the Securities and Exchange Commission, the preparation of a registration statement and prospectus, the listing of the securities, etc., the fees and expenses incidental thereto would have been in excess of $40,000."

The Philadelphia Electric Co., in a notice to the holders of scrip for $1 dividend preference common stock and common stock, announced that the privilege of exchanging such scrip for whole shares will expire at 3 p.m. on June 12. Scrip should be presented to the company's transfer office, 900 Sansom Street, Philadelphia.

Elk Horn Coal Corp. for the first quarter of 1944 reported an estimated net profit of $17,797 after taxes, depreciation, depletion and amortization of leasehold equities. The corresponding figure in 1943 was $65,188.

The Rheem Manufacturing Co., maker of sheet steel products, has bought a large stock interest in the Platt-Le Page Aircraft Co. of Eddystone, Pa., and by arrangement with other large stockholders is taking an active part in the management of the concern. Platt-Le Page has produced two helicopters for the United States

(Continued on page 2259)

Pennsylvania Municipals

By EDWARD W. KLING

The Pennsylvania Market, particularly with respect to newer issues, has been rather quiet. Now and again a new issue comes out and bidding is terrible. If it is small and reasonably short, it disappears almost immediately, but if large and long, about two-thirds sell fairly rapidly and the balance drags on and on and eventually peters out. There is no weakness on the part of the banker and also no lack of patience, but rather apathy on the buyers' part. By and large, the latter yearns for other names besides Philadelphia's, Allegheny's, and Pittsburgh's, and when new ones appear they are generally well received but the supply is woefully small.

There seems to be some widening in the field for premium bonds. One thousand dollars invested at 1¼% brings in $12.50, no more and no less. Fourteen hundred dollars may bring in $40 or $45, and the difference of tangible cash is something worth while these days.

The belated recognition of Philadelphia credit has made its bonds a fairly bright spot in an otherwise drab setting. Besides inter-dealer jockeying, large retail orders have come into the market and taken a great many bonds.

Pennsylvania Turnpike Commission and Delaware River Bridge bonds have advanced with a meager amount of activity. As hindsight is perfect, it seems doubtful if the Bridge Commissioners did so well on the 2.70% rate. A little waiting might have been more profitable. In any case, now buyers are looking at the yield to the call date, rather than to maturity; and if present conditions prevail, a call is inevitable.

Several years ago underwriting houses were seriously worried about the problem of supply. Priorities eliminated the possibil-

(Continued on page 2259)

Kentucky Municipal League Urges Passage Of Boren Bill

The Board of Directors of the Kentucky Municipal League, meeting at Lexington, Kentucky, on May 16, passed a resolution urging Congress to immediately act on the Boren Bill. This is H. R. 1502, introduced on January 23, 1943, by Lyle H. Boren, Representative in Congress from Oklahoma, which specifically aims to remove dealings in State and municipal securities from the possibility of regulatory action by the SEC under Section 15 (c) (1) of the Securities and Exchange Act of 1934. The bill would simply amend this section by adding the words "exempted securities" to the clause which lists commercial papers, bankers' acceptances and commercial bills as excluded from the prohibition against "the use of manipulative, deceptive or other fraudulent devices or contrivances" in dealers' transactions. In addition, however, the bill would eliminate from the above mentioned section the sentence which reads:

"The Commission shall, for the purposes of this sub-section, by rules and regulations, define such devices or contrivances as are manipulative, deceptive or otherwise fraudulent."

Hearings on these amendments are scheduled to be held in September. The full text of the resolution as passed by the Board of Directors of the Kentucky Municipal League is as follows:

WHEREAS, There has been introduced a bill in the Congress of the United States (H. R. 1502) amending the Securities and Exchange Act of 1934; and

WHEREAS, the purpose of said bill is to eliminate ambiguities in that Act and to make clear the intent of Congress to deny to the Securities and Exchange Commission the power to regulate securities issued by States or political subdivisions or instrumentalities of States and transactions in such securities; and

WHEREAS, public financing by States or subdivisions or instrumentalities thereof are matters of purely State policy and should not be subject to restriction or regulation by any bureau of the Federal Government; and any restriction or regulation by any bureau of the Federal Government would interfere with the financing by States or political subdivisions or instrumentalities thereof, and would materially increase the cost of such financing;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KENTUCKY MUNICIPAL LEAGUE:

That the Congress of the United States be urged to enact the aforesaid bill (H. R. 1502) in order that public financing by States and the subdivisions and instrumentalities thereof may be freed from the adverse effects of the ambiguities of the existing statute; and

BE IT FURTHER RESOLVED that the Secretary of the Kentucky Municipal League is hereby directed to send, immediately, a copy of this resolution to the Representatives and Senators representing the State of Kentucky in the Congress of the United States.

WILSON W. WYATT,
President

ATTEST:
CARL B. WACHS,
Executive Secretary

Adopted May 16, 1944.

The action of the Kentucky Municipal League in endorsing the Boren Bill follows similar action of the Municipal Securities Committee of the Investment Bankers Association, referred to in the issue of the "Chronicle" of March 9, 1944, on page 996.

Pennsylvania Brevities

(Continued from page 2258)

Army and has orders for others, which Rheem is helping to develop, it was learned. As a part of the arrangements, Rheem is licensed to use the patents and designs of the helicopter company.

Once standards have been set by the Federal Communications Commission, every major city in the United States will have a television station just as quickly as transmitter deliveries can be made at the end of the war, it was predicted May 26 by James H. Carmine, Vice-President in charge of merchandising for Philco Corp., in an address on television before the Poor Richard Club at the Franklin Institute, Philadelphia.

It may be possible to produce and sell table model television receivers for as little as $125 after the war, Mr. Carmine said. Larger "projection-type" sets, giving a picture 24 inches by 18 inches, may cost up to $400, he indicated.

Philco was one of the first major companies in the United States to undertake television research and development. It began work in this field in 1928, almost simultaneously with its entry into radio.

Since 1928 Philco has spent several million dollars in television research and development, Mr. Carmine said. With many of the outstanding research and development engineers in the country on its staff, Philco has pioneered in a large number of the major developments in television.

Among the major Philco developments demonstrated to the Poor Richard Club was the "Plane-O-Scope," a new kind of picture tube with a completely flat surface, which allows the television picture to be viewed from any angle, avoids the distortion characteristic of all older-type bulbous tubes, and eliminates light reflections.

Mr. Carmine also explained a Philco invention known as the "ion-trap" which removes the ion blemish from the screen of the picture tube.

The Island Creek Coal Co. for the first three months of the current year reported a profit of $534,900, or 84 cents per share on the common stock, after charges of $1,400,000 for Federal income taxes. This compares with a profit of $415,864, or 64 cents per common share, for the similar quarter in 1943, after allowing $1,175,000 for Federal income taxes.

The directors of The Baldwin Locomotive Works, at their meeting held May 25, declared a dividend of 75 cents per share on the $13 par value common stock, payable June 30 to shareholders of record June 15. This is at the same rate as paid on June 30 and Dec. 20, last year.

The majority of the refunding first mortgage holders and debenture owners and general creditors of the Philadelphia & Reading Coal & Iron Co. have accepted the amended reorganization plan submitted jointly by the company and its four major bondholders committees June 1, 1942, Howard Benton Lewis, bankruptcy referee, reported in United States District Court May 22.

Mr. Lewis said that a final vote, delayed for more than a year by the uncertainty of the outcome of tax legislation under consideration by Congress, showed more than the legally required two-thirds in favor of the plan.

Outstanding refunding bonds amount to $24,411,866; debentures total $29,148,000, in addition to which there are unsecured claims against the company of $787,116.

Out of $19,367,700 refunding bonds filed to vote, $16,475,100 voted for the plan, Mr. Lewis said in his report; $15,520,000 of debentures out of a total of $16,307,000 filed, and all of the unsecured claims favored the plan.

Delaware Power & Light Co. has declared a dividend of 20 cents on the common, payable July 31 to stock of record July 1. This is an initial dividend on company's 1,162,600 shares of common stock presently outstanding. This stock was issued as a result of merger and recapitalization of the company on Oct. 15, 1942, to its sole stockholder, United Gas Improvement Co. A large part of it was subsequently distributed by that company direct to its stockholders as one step in UGI's proceedings to comply with requirements of Public Utility Holding Company Act. This distribution was completed May 18, 1944. The company states: "In declaring this dividend the directors recognized not only the uncertainties of the immediate future inherent in the present war economy and its related taxation, but also recognized the fact that recapitalization of the company on Oct. 15, 1943, resulting in the elimination from the accounts of the company and its subsidiaries of all surplus balances, placed it in the same position in respect to earned surplus as a company starting its business new on that date. The directors, in deciding upon this initial dividend, pursued a policy which in their judgment will assure as far as possible regularity as to the dates and amounts of future dividends."

The Autocar Co. announced May 26 that it will call all outstanding preferred stock on July 1 at $115 a share plus accrued dividends in connection with a plan to merge the company and Autocar Trucks, Inc. According to the announcement, each share of preferred stock is convertible into 10 shares of Autocar Co. common stock through June 16.

FIC Banks Place Debs.

A successful offering of two issues of debentures for the Federal International Credit Banks was concluded May 16 by Charles R. Dunn, New York fiscal agent for the banks. The financing consisted of $14,900,000 0.80% consolidated debentures dated June 1, 1944, due Dec. 1, 1944, and $17,975,000 0.90% consolidated debentures dated June 1, 1944, and due March 1, 1945. The issues were placed at par. Of the proceeds, $32,875,000 was used to retire a like amount of debentures due June 1, 1944, the balance, $605,000, being new money as of June 1, 1944, the total amount of debentures outstanding was $285,040,000.

Utility Stock Looks Good

Delaware Power & Light Common offers an attractive situation at the present time according to a detailed memorandum prepared by Nemburger & Hano, 1419 Walnut Street, Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this interesting memorandum may be had from the firm upon request.

Also available for the asking is a list of corporate bonds regarded as legal investments in the State of Pennsylvania.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad Street, New York. Copies of this interesting study may be had from the firm upon request.

STATE, MUNICIPAL
and
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Private telephone wires to New York and Baltimore

Pennsylvania Municipals

(Continued from page 2258)

ities of getting materials for future work and even in some cases, work already started, had to be held in abeyance. The outlook looked bleak, and in a falling market would have stayed so. The answer, of course, was that the strength of the market made refunding possible on a large scale; institutional selling for reinvestment in Government issues has amounted to a good many million dollars and new revenue projects a great many million more. All of which has served to largely compensate for the enforced lull in new borrowings during the war period.

In Pennsylvania, the amount of new revenue issues was quite brisk for a time, but although apparently some are in the offing, no new issues have been offered for quite a while. The last session of the Legislature passed an act putting all Authority bonds under the supervision of the Public Utilities Commission. This probably accounts for the lack, as no doubt they insist that the project benefit the present taxpayer as well as his successors.

The question of supply in the future is a decidedly different matter. When Germany is knocked out of the war, military demands for the products of heavy industry should be definitely alleviated. Municipalities who have been holding off will want materials and the money to purchase them for various purposes, not the least of which will be to keep the discharged soldier gainfully occupied between the termination of his military career and his absorption into our general industrial life. Industry must have a breathing spell to reequip and retool for peacetime articles, and this period can be and should be taken care of by the various municipalities. In addition, there undoubtedly will be an even greater conversion of utilities from private to public ownership.

While the market in Government bonds will probably be steady for some time to come for very obvious reasons the yields on municipal and quasi-municipal bonds could very easily increase to some degree so that they would be more attractive to investors. There probably will be no radical change but an orderly and healthy readjustment that will be welcomed by investors and bankers together.

N. Y. Supreme Court Dismisses Claim By Mexico Anent Distribution Of $7,000,000 To Creditors

The Appellate Division of the State Supreme Court unanimously affirmed on May 26 a decision of the Supreme Court of New York dismissing a claim by the Mexican Government involving the distribution of about $7,000,000 to holders of defaulted Mexican bonds. This was reported in the New York "Times" of May 27, in which it was further stated:

"Thomas W. Lamont of J. P. Morgan & Co. Incorporated, as Chairman of the International Committee of Bankers on Mexico, contended that his committee acted as a trustee for the bondholders and not as a fiscal agent for the Mexican Government. The committee, in connection with a deposit agreement arranged in 1922, had received $45,000,000 from the Mexican Government, all of which was distributed to the bondholders except $7,000,000. These funds are still on deposit here. The committee thus has successfully resisted the effort of the Mexican Government to obtain control of the funds.

"The action concerns the claims of more than 200,000 individual holders of Mexican Government railway bonds. In upholding Mr. Lamont's claim as valid, it also supported the findings of Charles Poletti, official referee, which later were confirmed by Supreme Court Justice Ferdinand Pecora.

"I nan effort to clear up defaults on Mexican bonds, the Mexican Government and the International Committee entered into an agreement as of Nov. 5, 1942, providing for settlements on the basis of about 20 cents to the dollar on some classifications of securities, and more on others.

Sugar Stocks Attractive

Amalgamated Sugar Company and Utah-Idaho Sugar Company offer attractive possibilities, according to detailed financial analyses of the situations prepared by Edward L. Burton & Company, 160 South Main Street, Salt Lake City, Utah. Copies of these interesting studies may be had from Edward L. Burton & Company upon request.

LEGAL INVESTMENTS

A List of
CORPORATE BONDS
So Regarded in Pennsylvania
Available Upon Request

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N. Y. Curb Exchange (Associate)
1419 Walnut Street (2)
LOCust 6200 Race 7951
New York Harrisburg Lebanon
Baltimore Atlantic City Scranton

DIRECT PRIVATE WIRE
● NEW YORK CITY
TO
REED, LEAR & CO.
Members Pittsburgh Stock Exchange
● PITTSBURGH

Hotel Philadelphian 5.8-1960 ws
Rittenhouse Plaza Stock
John B. Stetson Pfd.
Scranton Springbrook Wtr. Pfd.
●
Samuel K. Phillips & Co.
Members Philadelphia Stock Exchange
Packard Bldg., Philadelphia 2
Teletype PH 375 N. Y. Phone REctor 2-0040

FEDERAL WATER & GAS
Common Stock
Memorandum on Request

BOENNING & CO.
1606 Walnut St., Philadelphia 3
Pennypacker 8200 PH 30
Private Phone to N. Y. C.
COrtlandt 7-1202

Pennsylvania and New Jersey Municipal Bonds

Dolphin & Co.
Fidelity Philadelphia Trust Building
PHILADELPHIA 9
Telephones:
Philadelphia—Pennypacker 4646
New York—HAnover 2-9369
Bell System Teletype—PH 299

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Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

The Dow-Jones Industrial Average has been in a secondary decline since July 14, 1943, on which date it stood at 145.82, compared with 140.48 on May 24, 1944. This represents a loss of 5.34 points or 3.7%. Over the same period New York City bank stocks, as measured by Standard & Poor's Weekly index, have, on the other hand, moved up from 95.3 to 101.4, an appreciation of 6.1 points or 6.4%.

The percent divergence between these two classes of stocks is also quite pronounced when their current prices are measured against the April, 1942, lows, as the following figures indicate: The Dow-Jones Industrial Average on April 28, 1942, was 92.92, thus its present gain from that level is 47.56 points or 51.1%. Standard & Poor's Weekly bank stock index on April 29, 1942, was 59.3, and its gain from that level is 42.1 points or 71.0%.

In order for the Dow-Jones industrials to reach their 1937 high of 194.40, they must advance 53.92 points or 38.4% from their present position. In order for New York City bank stocks to reach their 1937 high, they must advance 53.1 points to 154.5 or 52.4%. Thus despite the latter's 71.0% advance from the 1942 low as compared with 51.1% for the industrials, their potential percent appreciation to the 1937 level is 52.4% against 38.4%, or 36.5% better.

New York Trust Company
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Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
L. A. Gibbs, Manager Trading Department)

Turning now to individual bank stocks, the following table should be of interest:

	Asked Price 5-24-44	Asked Price Feb. 1937 (high)	Appreciation to Reach 1937 high
Bank of Manhattan	$23¼	$41½	78.5%
Bank of New York	405	550	35.8
Bankers Trust	52¼	86½	65.6
Central Hanover	103¾	153½	48.0
Chase National	40½	65½	61.7
Chemical B. & T.	51⅝	86	66.6
Corn Exchange B. T.	50½	77¼	53.0
First National	1,610	2,710	68.3
Guaranty Trust	330	394	19.4
Irving Trust	15¾	20¾	31.7
Manufacturers Trust	51¾	71	37.2
National City	36⅞	61½	66.8
New York Trust	94½	164	73.5
Public National	39⅝	58	46.4
U. S. Trust	1,490	2,150	44.3

At the time of the 1937 highs, the total deposits, earning assets and Government securities of these 15 banks aggregated as follows: Deposits, $11,655,352,000; earning assets, $9,359,592,000; Governments, $4,058,587,000. Currently, with the market for their shares 34.5% lower, their aggregate figures are as follows: Deposits, $21,818,561,000; earning assets, $18,670,596,000; Governments, $13,381,989,000. From these figures it will be observed that deposits are 87.2% higher, earning assets 99.5% higher and Government securities 229.7% higher.

While earning assets have been moving up, so also have the net operating profits of these banks, despite rising costs and higher taxes. In 1938 aggregate net operating profits were $82,474,086, while in 1943 they were $110,954,247, an increase of $28,480,161 or 34.7%. In addition to these regular operating profits, very substantial security profits have been realized and also recoveries on items previously written down. It is also of significance that their capital funds have expanded from $1,434,355,000 to $1,643,831,000, a growth of $209,476,000 or 14.6%.

On average these 15 stocks are selling at approximately book value, the average ratio of current market to book as of March 31, 1944, being 1.04. First National sells at the highest premium with a ratio of 1.29, and Irving at the maximum discount with a ratio of 0.74. Four other stocks are also selling at a discount, viz.: U. S. Trust, 0.98; National City, 0.96; Bank of Manhattan, 0.92 and Public National, 0.81.

The current dividend yield averages 3.8%, and ranges from 2.7% for Bankers Trust and National City to 4.8% for Corn Exchange and 5.0% for First National. In view of the generally conservative investment character of choice New York City bank stocks, this appears to be a very attractive yield, especially when the favorable post-war outlook for banking is also taken into consideration.

New Jersey
Bank Stocks
•
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With Kingsbury & Alvis

NEW ORLEANS, LA. — Lee Henry Cotten is acting as South Mississippi sales representative for Kingsbury & Alvis, Hibernia Building.

"Hard Money" Examined

(Continued from page 2250)

which he distributed to members of the committee; and on his pamphlet, International Bimetallism, which was the basis of his press release of Sept. 27, 1943.

(1) **Preference for "hard money."**—Of Mr. Brownell's several points, this one seems to be the easiest to agree with. Yet it needs careful examination when it is used as an argument for bimetallism. In times of severe stress, certainly, people anywhere have more faith in metal than in paper currency. In peaceful and orderly times it is different.

Consider the United States. When gold coin was still freely obtainable here, most people preferred to use paper; and, as between silver dollars and silver certificates, paper is still today preferred, while silver-dollar coins are rejected. When, in 1933, the run on gold and flight of capital to foreign countries became severe in this country, gold convertibility of the currency was ended. In part that run reflected anticipation of official suspension of the gold standard as an economic fillip, rather than a desire to have and cherish gold per se.

The traditional respect for gold, however, is so ingrained that many Americans still are comforted to know that the Treasury holds the yellow metal, even though citizens cannot get any of it. But for everyday business use Americans distinctly prefer paper currency and bank checks rather than hard money, as the Treasury's hoard of $1,500,000,000 in silver in reserve against outstanding silver certificates proves.

At the other extreme from the American attitude toward hard money are those peoples abroad who know from sad experience the losses that may come from paper currencies and who therefore prefer coin for their daily use or for hoarding. In such countries, therefore, it is correct to say that the masses prefer hard money and, as Mr. Brownell correctly states, the particular hard money usually sought is the cheapest one, silver.

From the facts that gold is still highly esteemed in the Occident for monetary reserves if not always for coin and that silver is in demand among the masses of continental Asia we are told, in effect, that international bimetallism will provide a bridge for trade between West and East. For bimetallism to do this, however, the people of the East should be willing to part with their silver and those of the West should be willing to receive silver from the East in payment of trade obligations; and conversely the East should be willing to take gold from the West. It is not enough to pass a law on the subject. Unless the people are willing and interested, it won't work. Moreover, there must exist in the countries of the world adequate supplies of gold and silver, adequately distributed in amounts and places where they may be needed. Mr. Brownell lets the reader assume that these conditions will prevail if bimetallism is enacted, but he does not prove that they will prevail.

Speaking for this country, it is clear that the silver already in the Treasury is surplus and that no more is needed or wanted. We might sell it to the Orient, except for the restrictions which the silver bloc has put in the law. Our gold stock far exceeds our need for a settler of balances. In terms of hard money, Uncle Sam is a Croesus. Mr. Brownell argues, in spots, that gold is unsuited to the needs of Asia. If this is true, then a basis for workable international bimetallism as between ourselves and Asia is lacking; for how can we use our gold to buy goods from the Orient, if gold is not suitable to the Orient, as Mr. Brownell states?

As for other occidental countries — unless it should be our gold-and-silver-mining neighbor south of the border—they do not want bimetallism, and have rejected it again and again.

Many countries, indeed, are practically devoid of both gold and silver for international trading purposes, and for this reason alone are not candidates for bimetallism. Where, indeed, is there a country that does not want to manage its own money, including check-book money?

Since there can never be enough "hard money" on hand to effect more than a fraction of the transactions of any country outside of, say, Saudi Arabia, and since part or most of the money used must therefore be accepted on trust in the issuing power, this plausible talk about "hard money" addressed to modern people has a distinct counterfeit ring.

As for the wartime premia at which bullion has sold in the East, cited by Mr. Brownell, much could be written. Two facts stand out. The premia are in terms of currencies artificially pegged at high "official" rates of exchange. There are no free international movements of bullion and the prices Mr. Brownell cites reflect local situations. It may not be without significance that during World War I the price of silver soared when demand in India and China increased, but after the war collapsed, notwithstanding the subsidy which American Pittman Act purchases gave to the silver sellers until 1923.

Mr. Brownell, like other silver advocates, makes frequent use of the term "silver-using countries," and since that has a direct bearing on the question of a preference for hard money, we may take a few moments to examine it.

Probably no country is a greater silver-using country than the United States, with millions of dollars in subsidiary silver coin in circulation and tons of other silver in the Treasury vaults. In peacetime every modern country uses much silver in its coinage system. The United Kingdom is a great silver-using country. In modern coinage systems, silver coins of varying fineness are used without regard to the fluctuating value of their silver content, provided only the market price of silver is not so high as to drive the coins to the melting pot. But, by "silver using," Mr. Brownell does not mean the United States or the United Kingdom. He means such countries as China, India, and Mexico. We may in passing record that China gave up the silver standard a decade ago, India in 1893, and Mexico in 1905.

Mr. Brownell states that China "still uses silver predominantly." None of the news from China in recent years substantiates that statement. China, unfortunately, is suffering from paper-money depreciation. The severe inflation is rapidly depriving China's paper currency of all value. Whatever one may conclude from that fact, I have seen no evidence that the Chungking Government intends ever to return to a silver standard. All the evidence rather indicates its intention to manage China's economy after the war, for good or for ill.

Representative of the viewpoint of educated Chinese, Dr. Henry C. Chen of the Bank of China in the course of a long article on the post-war stabilization of China's currency nowhere even mentions silver.[1] Dr. Chen merely suggests that China start out afresh with "a new currency or new unit of account." He adds that "the economic ills of the world cannot be laid entirely at the door of the monetary system" and that "it

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[1] Henry C. Chen, The Prospect for the Stabilization of the Chinese Dollar, in The Commercial and Financial Chronicle, Dec. 16, 1943.

(Continued on page 2266)

Royal Bank of Scotland
Incorporated by Royal Charter 1727
HEAD OFFICE—Edinburgh
Branches throughout Scotland
LONDON OFFICES:
3 Bishopsgate, E. C. 2
8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1
TOTAL ASSETS
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Associated Banks:
Williams Deacon's Bank, Ltd.
Glyn Mills & Co.

Australia and New Zealand
BANK OF
NEW SOUTH WALES
(ESTABLISHED 1817)
Paid-Up Capital ---------- £8,780,000
Reserve Fund ---------- 6,150,000
Reserve Liability of Prop.-- 8,780,000
£23,710,000
Aggregate Assets 30th Sept., 1943 ---------- £187,413,762
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Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar
Subscribed Capital---- £4,000,000
Paid-Up Capital------ £2,000,000
Reserve Fund-------- £2,200,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

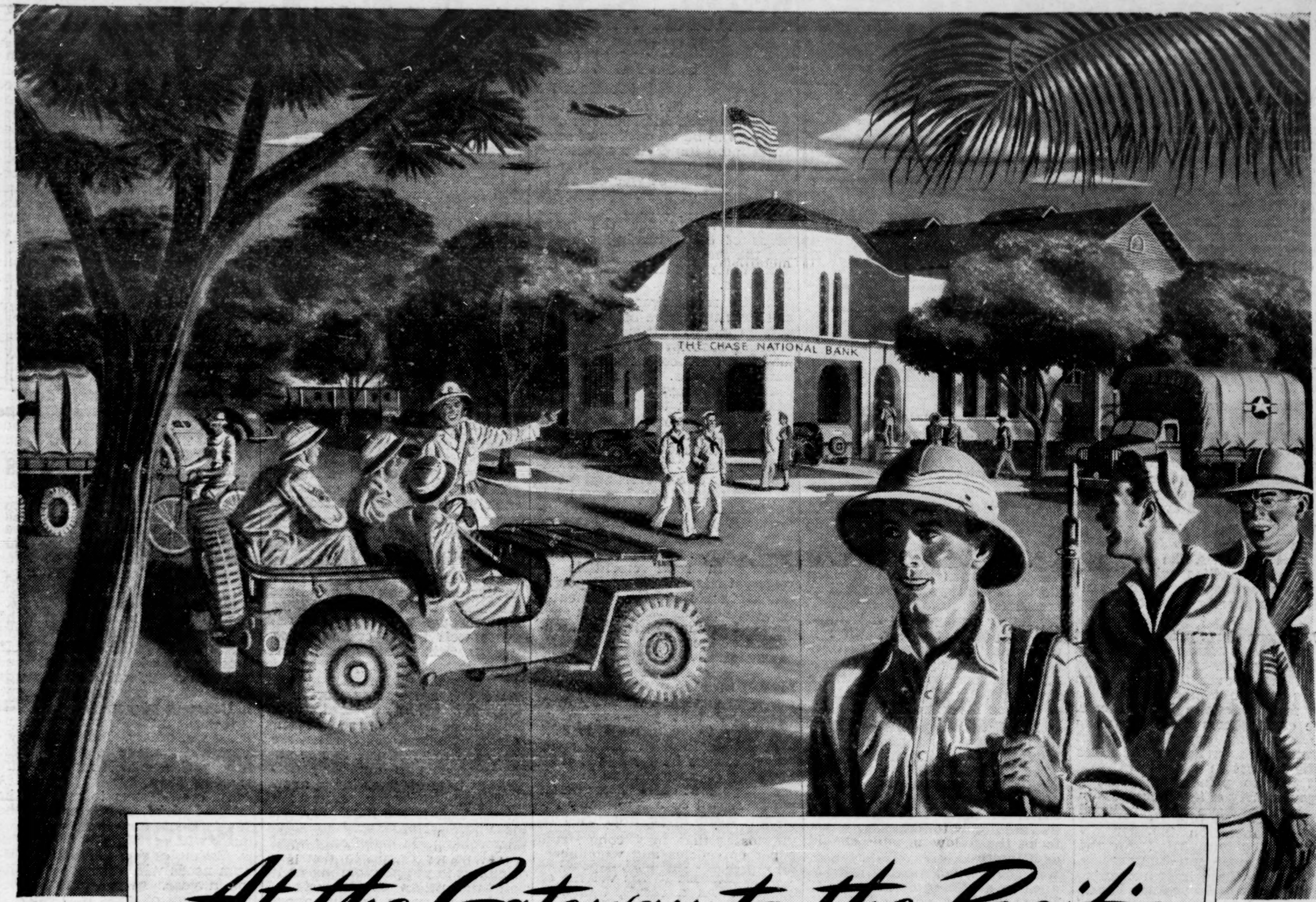
Louisville Bond Club Annual Outing June 9

LOUISVILLE, KY.—The Louisville Bond Club will hold its annual Summer outing and election of officers on June 9th at the Louisville Country Club. Out of town guests are welcome.

N. Allan Watts of W. L. Lyons Co. is President of the Club.

Interesting Situations

The first National Bank of Boston and Providence Washington Insurance Company offer attractive possibilities according to summaries of these situations prepared by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, California. Copies of these summaries may be had upon request from the firm.



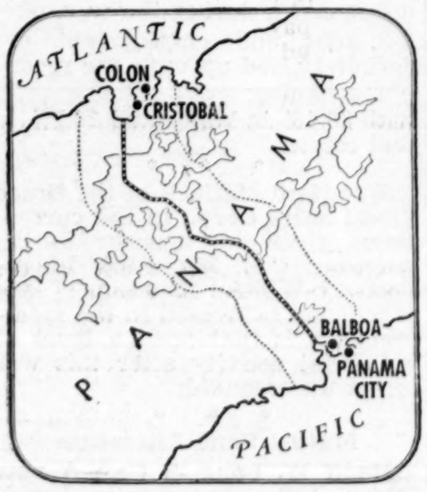
At the Gateway to the Pacific

In the port of Balboa at the Pacific terminus of the most important single military installation in the Western Hemisphere—the Panama Canal—stands a branch of an American bank which is bringing a touch of home to men at war.

Thousands of members of the reinforced garrison which guards the great lifeline between the Atlantic and the Pacific have come to rely on this office—one of the four Isthmian branches of the Chase—for countless personal services beyond those normally rendered by a commercial bank. Soldiers and sailors of all ranks daily stream in and out its doors, cashing checks, transmitting funds, arranging for the delivery of flowers and other gifts to loved ones on Main Street, U. S. A.

These personal services, performed without profit, are in addition to the regular wartime functions of this Chase outpost. Since Pearl Harbor the tasks of the staff there have multiplied. Seventy-five per cent of the business of the branch is now related directly to military activities such as preparing cash pay rolls for the Army, meeting the banking needs of Post Exchanges, caring for Company Funds, serving contractors on war projects and facilitating vital shipping through the Canal.

Today's Panama looks down on a scene which those who struggled with the torrid jungles of the Isthmus a few decades ago could scarcely have imagined—a great modern fortress guarding the passageway between two coasts, two fleets, two wars! The Chase feels privileged to play its small part in furthering this military effort and in making life more pleasant for those who man the new ramparts of an old land.



Comparable activities obtain in all four Chase branches on the Isthmus—Balboa and Panama City on the Pacific side; Cristobal and Colon on the Atlantic side.

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

Mutual Funds

Income vs. Capital Gains

Distributors Group has published a new folder on **Low Priced Shares,** a class of **Group Securities, Inc.** The folder contains a chart showing the present market position of the 55 stocks held by Low Priced Shares as compared with that of several higher priced shares including General Motors, Standard Oil of New Jersey, DuPont, Eastman Kodak and International Business Machines.

The covering letter point out that:

(1) On the down-side the price risk in Low Priced Shares compares favorably witn that of high-priced stocks.

(2) On the up-side the appreciation possibilities in Low Priced Shares range from over three times to over nine times that of the high-priced shares shown in the chart.

The letter then makes the following point:

> **"Under present tax laws, the investor pays at least twice as much taxes on a given amount of dividends as he does on the same amount of long-term capital gains. And if he has a large income the tax savings on capital gains becomes even greater."**

With capital gains worth so much more than dividends under present tax laws, the attractiveness of securities with larger-than-average appreciation possibilities is greatly enhanced.

* * *

Keystone Corp. presents a chart in the current issue of **Keynotes,** comparing interest coverage and bond prices over the past seven years on the issues included in the four **Keystone Bond Funds.** The chart shows that all classes are currently enjoying interest coverage of from 2.17 to 3.81 times —the highest in years.

It is also pointed out that a large majority of the companies in all classes have (1) reduced bonded debt and fixed charges and (2) substantially improved net working capital position.

> **"Despite these improvements in fundamental position and generous interest coverage, three of these four classes of bonds are still available to investors at discounts from par value ranging from 7% to 32%."**

* * *

The current issue of **Brevits** contains "A Statement of Policy" in which Merrill Griswold, Chairman of the Board of Trustees of **Massachusetts Investors Trust,** discusses the general investment philosophy of **MIT.**

"It is the established policy of the trustees of Massachusetts Investors Trust to maintain a very high percentage of the assets of the Trust in high-grade common stocks of the type which would be considered as suitable investments for funds managed by individual and corporate trustees. That is what the Trust offers its shareholders: Participation predominantly in sound companies whose shares possess ithe high qualities of trustee investments."

> **Mr. Griswold points out that this policy will not produce the capital appreciation in times of good business that is generally available in the more speculative securities. "On the other hand, in periods of declining business or of depression, it is to be expected that the shares of Massachusetts Investors Trust will show a far greater resistance to declining earnings and lower dividend payments."**

* * *

Mr. Henry J. Simonson, Jr., President of **National Securities & Research Corp.,** reports total net assets of **National Securities Series** at $9,802,026 on April 30, 1944, the fiscal year-end, compared with $5,012,896 a year ago, an increase of 96%.

The current issue of **Investment Timing** contains the fourth article in its series on "Scientific Developments from the Investor's Viewpoint." The subject of the article is "New Drugs," and the conclusion states that: "Following a period of readjustment, as inflated wartime demands are replaced by expanded civilian consumption and the exploitation of new markets, increased sales volumes and earnings are in prospect for leading drug manufacturing concerns."

* * *

Calvin Bullock's current bulletin contains an interesting chart showing the composite investments of 10 leading universities. Harvard, Princeton, Yale, Johns Hopkins, Dartmouth, Cornell, Chicago, Northwestern, Stanford and Vanderbilt make up the list. As last reported, 42.9% of their composite investments were in stocks, with 38.4% in bonds and 18.7% in real estate.

* * *

Woodford Matlock of the **Broad Street Sales Corp.,** in the current **Items** gives one answer to the question: "Is 150 FRB Index-Postwar Wishful Thinking?" The conclusion expressed in the memorandum is that such a level of industrial activity after this war is not unreasonable.

* * *

Mutual Fund Literature

Hugh W. Long & Co.—A new folder, "The Automobile Investor," to be available soon. . . . **Lord, Abbott & Co.**—The current issue of **Abstracts,** discussing life companies' investments, the high cost of living and taxes. . . . **Selected Investments Co.**—The current issue of "These Things Seemed Important." . . . **Keystone Corp.**—A revised edition of the folder, "Ten Securities That Satisfy a Wide Variety of Investment Requirements." . . . **Knickerbocker Distributors. Inc.**—A prospectus on the **Knickerbocker Fund** revised to April 1, 1944.

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BOSTON, 10 Post Office Square (9)
CHICAGO, 208 So. La Salle St. (4)

Post-War Problems—Can They Be Solved Only By One?

(Continued from first page)

plicated that the able report of Messrs. Baruch and Hancock only pretends to be an outline of some of its more important aspects. It includes such vital problems as the termination of war contracts; the disposal of war surpluses; the resumption of peace time production; providing for the many needs of the returning soldiers, and the readjustment and relocation of workers in peace time occupations.

2. The readjustment of prices and costs to restore balanced economic conditions. It is well known to every business man and tradesman that when costs exceed prices businss declines. Producers withdraw. Newcomers wait. Those who remain in the business lose money, avoid any expansion, curb employment, cut down their volume, and the result is depression. At the present time the maladjustment between costs and prices in most peace time business has not been exceeded since the readjustment period following World War I, in spite of the efforts at price control. Costs have risen sharply in such essentials as wages, taxes, services, imported raw materials and the regimentation costs of compliance with government requirements. Representatives of the motor car industry have indicated that post-war cars will be priced from 25% to 50% higher than in 1940. Manufacturers in electrical industry have announced that post-war prices will have to be 33 1-3% to 50% higher than in 1940. Many other manufacturers have made it clear that they cannot continue in business at present costs unless prices are increased or costs greatly reduced. Such large industries as the United States Steel Corporation last year had a substantial decline in net earnings, in spite of a large increase in the volume of business. As a result, this corporation of course was required to pay less taxes by many millions and, unfortunately, was unable to set aside any satisfactory reserves for post-war reconversion and employment. Will wages and taxes come down and will the prices of imported raw materials come down, or will the prices of domestic products have to be increased to bring about the necessary balance between prices and costs to keep production and employment going and encourage newcomers to take their chances in enterprise? If prices are raised then we must lose by post-war readjustment all that is claimed to have been gained by holding prices down during the war.

3. Jobs and employment are definitely tied up with the reconversion problems and cost-price adjustments. In fact, jobs depend upon bringing about a balance between costs and prices so that industry can continue to operate without a loss and provide expansion for newcomers. These problems are so interrelated that any attempt to separate them and solve them one by one is clearly a little worse than academic. The domestic price situation seems to have a great variety of complications involved in it. Prices have been held down while costs have risen. Capital and reserves for post-war reconversion, expansion and employment seem entirely inadequate. The huge government surpluses to be disposed of will not help domestic prices. One copper producer estimates the government surplus in copper will be adequate to meet industry's needs for three to five years. It is well known that the condition in aluminum is even more excessive. The situation in machine tools has been estimated to be a surplus production adequate for eight to ten years. Recent trends in the prices of agricultural products indicate the possibilities of great surpluses occurring in many lines. For some time the market has been throughly demoralized and prices well below ceiling prices in eggs, fish, potatoes, and there has been great spoilage in butter, canned milk and meats. These conditions are not conducive to adjusting prices upward, even though costs may exceed present prices. It seems clear, therefore, that costs must come down or unemployment and declining production take place to bring about a balance between costs and prices. This is the hard way and the uncomfortable way to solve this problem. Is it the only way? World prices dominate domestic prices. It is not possible for us to hold the prices of products of which we have a surplus above the prices in world markets. Of course we can hold the prices up for domestic consumers and subsidize foreign consumers, but this is economically unsound and it would seem that the taxpayers' burden would be large enough without much of this sort of thing. Will world prices rise or decline in the post-war era? For a short time they may rise, due to scarcity in certain areas, but if past history is any guide, the trend of world prices will be downward. Of course, world prices may be increased in terms of cheap money, but that would not necessarily be a rise in world prices. It would be a depreciation in the value of money, and the countries that maintained sound money would still buy products on the international markets at declining prices.

4. The national debts. Estimates generally from authoritative sources indicate that our federal debts at the end of this war will be about 1000% of the federal debts at the end of World War I. This monstrous problem is inseparable from taxes, money and credit, prices and costs, exchange stabilization, capital for business, and all their economic interrelations. The cost of servicing the debt alone may be almost as much as the national budget and total tax collections in an average good year following World War I. In 1920 Liberty Bonds bearing a 4¼% coupon sold below 80. With an almost 1000% increase in Government Bonds, at what price will bonds bearing 1½%, 2% and 2½% coupons sell for? Can we hold the price of Government Bonds up to par to protect banks and other institutions? What would be the effect of the proposed Thomas amendment, which would allow banks and other institutions to carry Government Bonds at par, regardless of their price? What would be the effect on the confidence of the people, and without confidence business never makes progress. From where is the new capital to come to finance reconversion and business expansion? Will we, after this war, be prepared to repeat the experience following World War I, when both the Government and private enterprise loaned billions to Europe for reconstruction and to make a market for American goods? Unfortunately, much of this has never been repaid. Will we accept the goods of foreign countries in payment for the goods we wish to sell them? Will farmers and laborers demand protection for their jobs and shut out foreign goods?

5. The money, credit and banking problem. What is the money, credit and banking problem? The principal assets of banks to pay their demand depositors are Government debts. Bank deposits and cash exceed all peace time needs. A very large part of bank deposits have been created out of Government debt to finance the war needs. The money, credit and banking problem is, therefore, tied up with the national debt problem and its related economic aspects. A solution to one of these problems cannot be forthcoming and succeed without a solution to the other. While we have held prices down, inflation of bank credit and the currency have run wild and every rule of sound banking has been thoroughly violated. Now it must be set right, or the consequences endured. This is not a problem alone by itself. It is a part of the economic and financial organization of problems, all of which are interdependent, and success in managing one will necessarily mean success in managing the others. Failure to successfully manage one of these large problems will mean failure in all of them.

6. Taxes. Taxes to service the national debt and finance the Government and its post-war needs will certainly remain with us. Estimates claim that the minimum needs will be about $20 billion a year. In order to collect this amount of taxes it is claimed that we need a gross national income of at least $125 to $150 billion a year. How can such national income be maintained? If we fail in this matter, we fail in collecting the national taxes to service the debts and pay the Government's bills, and if we fail in these we most assuredly will fail in managing the banking situation and in providing employment. It would seem, therefore, that every inkling of evidence that any law, restriction, price or wage condition that restrained or affected production and trade unfavorably would be removed, and such impediments to raising our national production and income are menaces to our whole system and to our very economic existence. Some of us are still anxiously waiting to understand how this national income is going to be produced in peace time. It seems not worth the space to take up the foolish proposals, such as suggested by those who would remove the interest on the national debt, or even cancel the national debt, or those who say the debt makes no difference—we owe it to ourselves, or those who say we must continue to spend and not save and further increase the debt. Unfortunately, however, these doctrines which would destroy our whole economy have a large following, and it seems highly important that sound national economic policies be promulgated.

7. International exchange and trade problems. Our international trade problems with the rest of the world will be conditioned upon the solution of our domestic economic problems and how other countries solve their money, debt, price and tax problems. Liquid capital will seek safety and quickly flow where it can buy most and have the greatest security. The rest of the world cannot buy from us unless we buy from them.

Our purchases from other countries or our sales to other countries will be very definitely determined by the purchasing power of the respective moneys, price relationships, tariffs and trade regulations. The international gold standard will be restored, but its working depends upon the freedom of the markets. Countries that wish to sell their surplus goods must be willing to buy, and any country that provides for itself an advantage for a short time by cheapening its money is an enemy in the international community, and sooner or later economic maladjustments will prove this, as it has to every country that has depreciated its currency or otherwise manipulated its price and trade relations.

8. Public education for economic democracy. It has been the purpose here to try to indicate that no one of these large economic problems can be solved as separate from the general scheme of economic problems as a whole. The interrelation of all of these economic problems bars the solution of any one of them, either with respect to the United States alone or with respect to the international economic relationships. Do we have a national understanding of these economic problems and how the solutions to each and all of them are interdependent one upon the other, or are we economically unschooled in the management of these problems in a democracy? Unfortunately, a large percentage of the people do not well understand the elementary economic principles of money, credit, price and cost relations, exchange relations between countries, and other fundamental soundness which dominate the whole structure of the economic system and penetrate every economic relationship of production, distribution and employment. If put to a vote on almost any of these problems, the majority of people would vote for what they believe to be to their best interests, but in almost every case would be contrary to their best interests in the long run. The writer has tried this by simple statements of these problems and has taken votes in public audiences including well known clubs, business societies, college students and even college faculties. The conclusion quite evidently is that we do not have any national or international clear cut economic policies which are generally understood by the masses of the people and recognized by them as sound principles upon which we can depend.

Is this true of other countries? It may be true of many other countries, but I believe it is not true of such countries as England and Canada, Sweden and Switzerland, and I know that before the war it was not true of such countries as Denmark, Holland and Norway. It is highly important that we arrive at simple, clear-cut principles which the masses of people will understand and which we know to be sound. For the past hundred years those countries that have based their economic policies and practices upon doctrines in which they have believed have, by and large, followed such principles as those laid down by Adam Smith, John Stuart Mill and David Ricardo. Apparently we have had no such leaders of economic knowledge. At least, none have left their imprint so firmly upon society and upon government policies in this country.

Timber Stock Attractive

Grande & Co., Incorporated, Hoge Building, Seattle, Washington, have issued a very interesting and comphrehensive pamphlet on Weyerhaeuser Timber Company, which offers an attractive inflationary hedge with tremendous post-war possibilities, the firm believes. Copies of this pamphlet may be had upon request from Grande & Co.

PACIFIC GAS AND ELECTRIC COMPANY

SAN FRANCISCO, CALIFORNIA

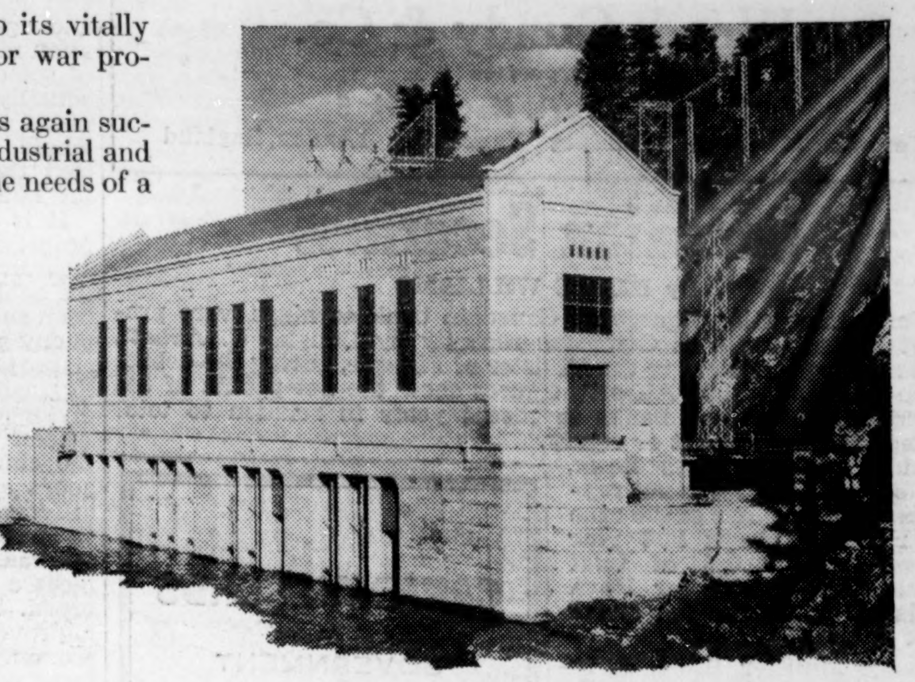
Summary of 1943 Operations

The Company continues to apply itself vigorously to its vitally important task of supplying power, light and heat for war production and civilian use.

In 1943 its interconnected electric and gas systems again successfully met the requirements of greatly expanded industrial and military activities in the territory served, as well as the needs of a rapidly mounting civilian population now estimated to exceed 3,500,000,

The ability to meet wartime demands rests largely on added resources of electric and gas supply made available through a long-range construction program, upon which more than $152,000,000 was spent in the past five years. The installed capacity of the Company's electric generating plants was increased 400,000 horsepower during this period, and an additional 200,000 horsepower was contracted for from other producers.

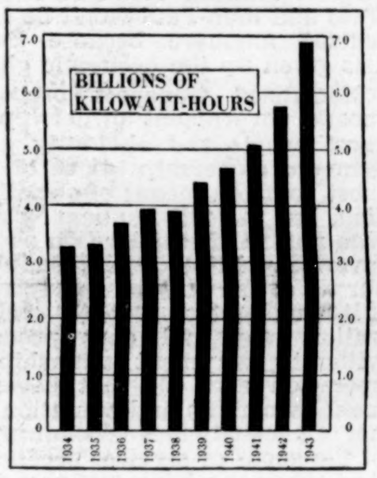
Pit Plant No. 5, placed in operation in April 1944, added another 214,000 horsepower of generating capacity to the Company's vast facilities for supplying electric service in this strategically important area.



PIT NO. 5 POWER HOUSE,
with largest installed capacity of any hydro plant in California

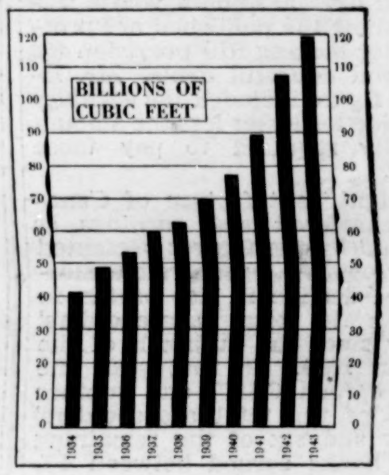
Sales of electric energy in 1943 totaled 6,870,000,000 kilowatt-hours, exceeding those for 1942 by 19.3%. One-half of this energy was delivered to 27,000 industrial customers, chiefly for war production. The remainder was distributed to approximately 812,000 domestic customers, 132,000 commercial and other customers and 38,000 agricultural power customers. With respect to the latter, it may be noted that more than 98% of all farms located within a mile of the Company's power lines are now receiving electric service.

SALES OF ELECTRICITY 1934-1943



Sales of gas amounted to 119,480,000,000 cubic feet, an increase of 11.3% over 1942. Natural gas, as well as electricity, plays an important part in war production. Industrial and military establishments, with a present consumption of 12 billion cubic feet of gas annually, have been connected to our lines since the beginning of 1940. In addition, the requirements of existing gas customers have increased 15 billion cubic feet annually as a result of the war program.

SALES OF GAS 1934-1943



SOURCES OF GROSS REVENUE 1943

Electric Department	$97,429,110
Gas Department	39,629,387
Street Railway Department	726,479*
Water Department	502,419
Steam Sales Department	305,290
Miscellaneous Income	388,671
Total Gross Revenue	$138,981,356

*Street Railway System sold in October, 1943.

DISTRIBUTION OF STOCK OWNERSHIP DECEMBER 31, 1943

Men Stockholders	37,728
Women Stockholders	53,219
Joint Tenants	23,157
Investment and Other Corporations, Partnerships, Insurance Companies, Educational, Charitable and Religious Institutions, etc.	3,179
Total Stockholders	117,283

SUMMARY OF CONSOLIDATED EARNINGS STATEMENT

	Year Ended December 31 1943	1942
Gross Revenue	$138,981,356	$127,114,180
Maintenance, Operating Expenses, Taxes (except Federal Taxes on Income) and Provision for Depreciation and Other Reserves	83,178,865	78,626,525
Gross Income	$ 55,802,491	$ 48,487,655
Bond and Other Interest, Discount and Other Income Deductions	10,810,407	11,368,984
Net Income before Provision for Federal Taxes on Income	$ 44,992,084	$ 37,118,671
Provision for Federal Taxes on Income	22,645,080	14,851,079
Net Income to Surplus	$ 22,347,004	$ 22,267,592
Dividends on Preferred Stock	8,409,820	8,399,508
Balance	$ 13,937,184	$ 13,868,084
Dividends on Common Stock	12,523,808	12,524,168
Balance	$ 1,413,376	$ 1,343,916
Earnings per Share of Common Stock	$2.23	$2.21
Dividends Paid per Share of Common Stock	$2.00	$2.00

Copies of the Company's 1943 annual report may be secured on application to E. J. Beckett, Treasurer, 245 Market Street, San Francisco 6, California.

★ ★ ★ ★ ★ ★ ★ ★ ★

The Company views with confidence the postwar prospects of the territory served. It is apparent that this region, long established as one of the foremost agricultural and distributing areas of the country, is destined to assume increasing national importance as a manufacturing center.

Without in any way relaxing our efforts in the all important task of helping to win the war, we are now planning a comprehensive program to aid and stimulate the continued development of Northern and Central California.

J B Black

PRESIDENT

Canadian Securities

Government Provincial
Municipal Public Utility

Direct Private Wires to Toronto & Montreal

Wood, Gundy & Co.
Incorporated
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Toronto Montreal Winnipeg Vancouver London, England

Canadian Securities

By BRUCE WILLIAMS

Some interesting figures on Canadian bank earnings were presented in the House of Commons recently by Douglas C. Abbott, Parliamentary Assistant to the Minister of Finance, during the debate on the Bank Act. Mr. Abbott's figures show the net profits of the 10 Canadian chartered banks in recent years in relation to total shareholders' investment or equity.

Aside from Barclays Bank, whose figure of .23% is not representative, earnings of the nine chartered banks last year ranged from 3.36% of total shareholders' equity for Nova Scotia to 4.56% for the Royal Bank of Canada.

Finance Minister Ilsley, in introducing the bill to revise the Bank Act, estimated the shareholders' net income at 5.09% of total shareholders' equity over the last 15 years. However, this higher figure was arrived at on a slightly different basis from those reported by Mr. Abbott, whose figures show the published net profits after making full provision for bad and doubtful debts. Mr. Ilsley's figure included the earnings set aside for losses less the amount actually required to pay those losses.

A significant feature of Canadian chartered bank earnings, as revealed by the figures presented by Mr. Abbott, is the rather substantial decline in net profits in relation to total shareholders' equity since the outbreak of the war in 1939. In that year one bank earned 6.61% and another 5.50% of the total shareholders' equity and six of the remaining eight banks earned between 4% and 5%. In contrast, as stated above, the highest figure last year was 4.56% for the Royal Bank of Canada.

There is good reason to believe that this protracted and war-induced downtrend has about run its course and that the characteristic stability of Canadian bank earnings is about to reassert itself.

* * *

A welcome development to American investors in Canadian equity securities is the important decision by the Supreme Court of the Province of Ontario, denying the right of the province to levy inheritance taxes on Canadian corporate shares registered and located in the United States. The position taken by the court was that the wills of both deceased owners of the shares were probated outside the province and that the Canadian companies in question maintain registrars and transfer agents outside the province, giving evidence that the legal "situs" of the equities was outside the province also.

This decision involved two blocs of shares of International Nickel Co. of Canada, Ltd., and of Lake Shore Mines, Ltd. Not only will these decisions tend to operate to the benefit of American holders of Canadian securities, particularly those of the Province of Ontario, but they are likely to have some influence on the interpretations of Federal and State taxing authorities in this country.

It is expected that the case will be appealed and will be reviewed by the Privy Council. In a 1942 decision, this highest tribunal established the precedent that shares owned and transferable in New York were not subject to "succession duties" in Ontario.

While these decisions help to clarify the Canadian estate tax muddle as it affects American investors, they do not offer a satisfactory solution to the problem. It is to be hoped, however, that the action taken by the Ontario Supreme Court will stimulate the Canadian authorities now at work on an over-all revision of estate taxes to push their efforts through to a satisfactory conclusion.

* * *

Turning to the market last week, activity in Canadian bonds was small with prices firm. There exists a broad demand for Dominion internal issues here which cannot be filled at the moment, although top prices are bid for these issues. The fact that a satisfactory supply of Dominion internal issues cannot be found at even 1/16 off the official rate is one indication of the conviction of investors that the discount in the Canadian dollar will sooner or later be removed and its pre-war parity with United States dollar restored.

There was good demand for Quebec and Saskatchewan bonds at firm prices. A bloc of British Columbia 5s was disposed of quickly at the offering side of the market. **Nothing in the present situation can be perceived which is likely to alter the trend of recent weeks toward general firmness in a market confronted with a steadily diminishing supply.**

CANADIAN BONDS

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PROVINCIAL
MUNICIPAL
CORPORATION

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Socialized Transport And The Future of Enterprise

(Continued from first page)

of obscuring the true cost of goods and services, a device for making it appear that goods and services cost less than they actually cost and again by discriminatory taxation make it appear that the cost of some things is greater than it actually is, and in general a hocus pocus by which the people as a whole are misled into thinking that they are getting something for nothing.

It is probably true that social progress at all times has been measurable by the extent to which the achievements of the few have been shared by the many, but the phony gains by the method of socialization must be clearly distinguished from the real social dividends made possible by the successive and large reductions in the actual social cost of desired goods and services. They are as different as night and day, as different as a stock dividend which but redivides, and the real thing, income which will buy a loaf of bread. The real social gains from improved efficiency and increased economy are not excusably confused with the gross make-believe gains which are offset somewhere else in the economic system by an equal or larger loss. This sort of social check kiting may work for awhile and on a small scale but eventually there will be a slip up in this robbing of Peter to pay Paul and then Paul won't be subsidized anymore because Peter has given up the economic ghost.

Socialized transport probably means government ownership to most people and obviously government ownership is one of the most common means of socialization, but the full implication and true nature of socialization as the favorite political legerdemain of our times can only be appreciated if it is understood that, (1) socialization may and does proceed without government ownership or operation and (2) that government ownership and operation do not of necessity mean socialization of the goods or services produced. And when the import of this distinction dawns, it will be understood that socialization is the more important, the far more pervasive as well as the less easily detected and resisted means of departure from a system of private responsibility and freedom from economic choice.

We have good illustrations of both in the metropolitan New York area. Subway transportation has been socialized under both private and public operation. On the other hand we can here pay our respects to the management of a great public transport facility, the Port of New York Authority, which has paid its own way and successfully resisted efforts to socialize its services.

It is high time that those who fear for the future of the traditional American system of private enterprise, free themselves of the fixation which the bogy of government ownership is to so many, and become aware of the fact that the ends of socialization are being achieved under many other forms and in many other ways. Also when and if it is realized that government ownership is not necessarily synonymous with socialization, we can free ourselves of stupid resistance to government ownership where and when the totality of all circumstances make it the only alternative, and apply the same energy and attention to seeing to it that unnecessary socialization does not occur under government ownership when it becomes the unavoidable form of economic organization and administration.

If socialization under Government ownership could be prevented much of the socialist fervor for that form of organization would disappear; on the other hand, much opposition to the assumption of certain public functions would also disappear if people were assured that public ownership and operation were not going to be used as a means of socialization of the cost of the service.

Government ownership as such is no longer the sine qua non of socialism. In the step-by-step American trek toward communism the method is socialization under old forms and traditions. We have as yet but little Government ownership in the transport industries in this country, but the socialization of all transport has gone a very long way already and may proceed much further before it takes the form of Government ownership on a large scale. It is not even a foregone conclusion that extensive Government ownership *in form* will be the eventual outcome of increased Government interference in the economic life of the people.

The art of politico-economic revolutionizing has developed remarkably in recent years. The method of indirection has been substituted for the straight-forward proposals of the original Socialist party. The purposeful managers of our transition from the horse-and-buggy era, in which we thought that cost and income should stand in a respectable relation to each other, to the planned economy, in which cost is an afterthought, do not confuse means and ends. Their aims and ends are fixed but the means are alternate. Government ownership is no longer an end—it is a means; the end is socialization. In more recent political practice the highest respect has been shown for the old axiom of statesmanship which the successful founders of tyranny have understood and acted upon in all ages, namely, "that great changes can best be brought about under old forms."

The true nature of socialization is no longer merely an academic question. Those who had most at stake have unfortunately treated it as such. In fact, so effectively have depressions and wars served as false fires and diversions that there is little public realization how far we have been following fellow-traveler as a guide.

There is no fixed pattern and no simple mark of identification by which socialization can be easily recognized. The business man is often confused. Often also he lends his support particularly when the proposal appears advantageous to his particular business. In fact, cupidity among business men as among other citizens seems to be the basis of distinction between desirable socialization and undesirable socialization. It seems for few to be a matter of principle or of the common good in the long run. but simply a question of whose ox is gored now. It certainly behooves the business men who fear the rising momentum of the drift toward a socialized society, to acquaint themselves with its characteristics and manifestations and to forego the opportunities of selfish gain and special advantage when the opportunity comes. Otherwise business, one by one, will fall before the temptation to fatten at the public expense, not realizing that what is doled out with the right hand must be recovered out of the pockets of others with the left, with a fat commission for the service of taking and giving.

The business mind, not trained in the tricks of the semantic shell game by which old isms are sold under new names, is peculiarly handicapped in discerning his own and the public long-term interest. Effective resistance to the onward march of socialization has not been forthcoming because business men in their own interest and citizens generally in the common interest have not been able to recognize the substance of socialization in the forms in which it appears; have been scanning the skies on the watch for a cataclysmic change while the rising tide slowly engulfs them.

After the substantial socialization of enterprise, it will prove to be a relatively simple matter then to eliminate the shell, according to the best of Marxian prescriptions. Only by a critical awareness as to the essential nature and character of the devices of socialization can those who view such ultimate changes in the character of our economic organization with alarm defend the traditional American system of economic freedom.

So much for the necessity of distinguishing between the form and the substance of socialization. What if any are the discernible earmarks and identifying features of socialization? Socialization is not a one or two front attack; its manifestations are numerous and its variations endless, and that is probably the explanation of its siren appeal on one point or another to almost every industry. It is amazing to one who stands somewhat aside, if not aloof, to note the substantial lack of cohesiveness of business in a common resistance to the relentless reduction of the area of economic freedom. The explanation is not only in ordinary apathy but in the fact that each step forward in the socialization of one industry affords some promise of special advantage to other industrial groups; everyone for himself, and the devil take the hindmost remains the code of business action. To the business mind there are two kinds of socialization: that which hits him and that which hits the other fellow, and the latter is of no concern and may indeed have some short-term favorable by-products. The use of the favor and finances of Government by one industry to improve itself in the indirect competitive struggles with another is the kiss of death for individual initiative and private enterprise.

One circumstance, in my opinion, is always present in any scheme or form of socialization, and that is a departure, to a greater or lesser degree, from the responsibility of meeting the full cost of production of goods or services. It is the stubborn fact of cost that stands in the way of making the land of promises come true. Cost is the awkward unyielding fact that makes it impossible to bring the economic dream world into reality. Those who promise miracles ultimately feel the pressure to deliver. Knowing, probably as well if not better than we do, that cost can only be reduced by improved efficiency and increased economy, and that total cost will have to be covered by total revenue, and that there is after all no magic in coal fired into a Government-owned boiler or a higher B.t.u. value in oil from a Government-subsidized pipe line, some method must be found for getting out of the dilemma. The answer is socialization in its broadest sense, and the means for its effective employment is now at hand in the form of the unlimited spending power of Congress, unlimited as to amount and purpose.

The essence of socialization is subsidy. The purpose of subsidy is to avoid the restraining discipline of cost on the character and amount of goods and services produced. Since all would admit that the total cost of all goods and services must be covered by total revenue or price, we can easily see that socialization is a means of making us pay the cost of some goods in the price of other goods, and balancing out with a tax payment which it is wholly impossible to trace or allocate to any particular goods or service. It is a means for making us think some things are relatively cheap and other things are relatively expensive. As a means of economic obfuscation, the theory of socialization is nearly perfect and its practice affords almost unlimited opportunity for political plundering of industry, and with particular ease if one segment of industry allows itself to be played off against others until our entire economic system is shot through with subsidy and counter-subsidy and we are all subsidizing and being subsidized until no one knows, no one can find out, and possibly no one will care, whether the goods and services we want are the ones we are getting or whether our limited resources of materials and labor are being directed to the production of the relative amounts of the goods we want most.

Coming at our subject somewhat in reverse, we have probably made clear why Government ownership as a form of enterprise organization is so popular in some quarters. The appeal of Government ownership is certainly not as an end but because of its usefulness as a means of avoiding the stubborn fact of cost. The greatest attraction in Government ownership is its availability as a means of socializing goods and services by not recognizing their full cost of production, as a means of making goods and services appear to cost less than they actually cost. Government ownership serves as a heavy curtain drawn between the to-be-seen and the not-to-be-seen costs. Witness, for example, the almost desperate efforts of the sponsors of publicly-owned utility operations to avoid responsibility for the full cost of the service so as to make a favorable comparison as to rates charged. You may recall the testimony of a director of a large Federally financed electric undertaking in answer to the question: do you include interest on the investment in calculating your cost, to the effect that interest was not included because no interest was *paid*—the United States Treasury paid the interest.

Private enterprise, in contrast, must respect its most critical and severe master, the cost for which the consumer is willing to reimburse the producer. Private enterprise is under considerable pressure to try to remain solvent, to balance cost and income. Intelligent private enterprise attempts to recover its costs from the purchasers of its products in such a manner as to interfere the least with the widest possible use of those products and services which can be made to pay their way, i.e., to meet cost but let cost interfere as little as possible with the widest range of social economic service.

An honest price system is an indispensable requisite, to the successful and continued operation of a system of free enterprise, for the heart of a system of free enterprise is the freedom of choice among consumers as to how their claim on the social income shall be met. Prices which do not reflect the present comparative cost of goods and services available to the consumers are economically dishonest prices because they mislead consumption and destroy the ability of prices to function as the guide posts or quotation boards of the economic system, directing consumption to the more available goods and away from the less available more costly goods.

Thus the true social concern about the effects of socialization are not really as to the comparative merits of the scalped or "scalpee" or the ethics of legalized robbery, but with the effect of the destruction of a price system which operates to achieve the largest overall economy and the substitution therefore of prices which have no meaning as reflectors of comparative social cost. From the long-term public point of view I would view public conduct of essential services on the business basis of meeting all costs with less alarm than a widespread system of subsidies and counter subsidies of private enterprise in form, with all the Government interference which such a partnership brings. There is, however, little probability that we shall have such an option, for Government ownership without socialization of cost will evoke little enthusiasm and keep very little support, and the ultimate outcome of extended socialization of cost under private ownership in form will be an extension of the area of public ownership and operation.

Socialization of transport is a particularly significant aspect of the general trend away from a free economy in this country. In some sense all economic activity is interdependent, but upon no industry, is all other industry so substantially and continuously dependent as on the transportation industries. Therefore what happens to transportation is not only and merely important to that industrial group, but to all business and all industry. In the same way we find all types and kinds of industries important to our national economy, but no other industry of the pervasive and intense significance of transportation.

This audience does not need to be told of the significance of the cost of transportation to industry and businesss in general or of the even greater significance of stable and non-discriminatory rate structures and possibly also understands that a less than perfect old rate structure to which business location and markets have adjusted themselves may be better than the perfection of a change which disrupts relationships of long standing on which the value of large past expenditures depends. All of that simply means that the socialization of the cost of transportation, by whatever means achieved, can have more far-reaching results than similar developments in any other industry. We are all aware of the great sensitivity of industry in general to changes in relative transportation costs and therefore realize that relatively minor changes can have large-scale economic repercussions in general industry.

The very dependency of industry on transport calls attention to the possibilities of economic regimentation through socialization, with or without Government ownership, of the agencies of transportation. Now that we have a firmly established monopoly of credit in the Federal Government, all that remains to perfect the means of general industrial regimentation is a monopoly of transportation.

Socialization in transport, or any of the major means of transport, leads readily to transportation monopoly. As long as there is private ownership in theory and in fact, public policy resists integration, even demonstrably desirable and economic integration, but when Government interest in any agency of transport becomes proprietary the attitude changes. Assume, for instance, Government ownership actual or in effect, of the railroad industry. How long might the other agencies of transport expect to enjoy the freedom of competition with a Government-owned railway? I know of no country in which Government-owned agencies are willing to face the competition of alternative modes of transport; often, indeed, even private transport is restrained and restricted in favor of the social monopoly. Governments, like gods, are jealous. Government ownership of one means of transport is most likely followed by Government ownership of all competitive public means of transport or the imposition of such restraints and controls as will amount to the same thing. It is an old adage of political economy, where Government steps in, enterprise steps out. No business can compete with governments of unlimited spending power, and no business can long or effectively compete with other industries operating with the benefit of socialized cost.

The moral of the story, of course, is that those industries which, with the benefit of socialized cost, undermine the independence and integrity of competitors so that Government ownership comes per force of necessity, are arranging for their own early demise.

Brewster "Sit-In" Protest Ended As President Roosevelt Asks New Contract

The "sit-in" demonstration, in which more than 5,000 employees in Long Island City, N. Y., participated in protest against the recent cancellation by the Navy of its Corsair fighter contract with the Brewster Aeronautical Corp., and which lasted for two days, ended on May 30 following Government assurance that new work would be sought for the corporation, an Associated Press dispatch says. Approximately 3,300 workers employed in the Brewster plant at Johnsville, Pa., also obeyed an order of their union representatives to end their "sit-in" demonstration. The Brewster contract for production of Corsairs will be terminated at both plants as of July 1.

James F. Byrnes, Director of the Office of War Mobilization, ordered the Joint Contract Termination Board to meet on June 1 to determine whether any procurement agencies have contracts that might be placed with the Brewster concern and also to devise a procedure for handling such cases in the future. He further asked the board to see to it that the requirements of all procurement agencies first be canvassed before terminating contracts affecting whole plants, and that steps be taken to "insure adequate notice" to such plants upon contract termination.

President Roosevelt said he had asked the Navy and other government agencies to determine whether they could give further contracts to the Brewster corporation, according to the Associated Press dispatch, which further added:

"President Roosevelt declared the action in halting plane building by Brewster was taken for economic reasons, but that possible insufficient notice had been given.

"The plant meanwhile continued in operation with workers not scheduled for layoffs staying at their posts on their regular shifts."

Further reference to termination of Navy contract will be found in last week's "Chronicle", page 2159.

THE NEW YORK, NEW HAVEN AND HARTFORD RAILROAD COMPANY

Howard S. Palmer, James Lee Loomis, Henry B. Sawyer, Trustees

Treasury Department

New Haven, Connecticut
May 29, 1944

NOTICE TO HOLDERS OF CERTAIN BONDS AND DEBENTURES OF THE N. Y. N. H. & H. R. R. CO.

Pursuant to authority of the United States District Court for the District of Connecticut under Court Order No. 748, and subject to the terms, conditions and reservations contained in that Order, funds will be available on and after JUNE 10, 1944, at IRVING TRUST COMPANY, ONE WALL STREET, NEW YORK CITY, for the payment of interest for the periods and upon the issues shown below:

				Dates of Coupons To Be Paid	Amount per $1,000 bond
N.Y.N.H.&H.R.R.	4½s	1st & Ref. 12/1/67		June 1, 1941 and Dec. 1, 1941	$45.00
"	4s	5/1/56		May 1, 1941 and Nov. 1, 1941	40.00
"	4s	7/1/55		July 1, 1941 and Jan. 1, 1942	40.00
"	3½s	1/1/56	(Tax Free)	July 1, 1941 and Jan. 1, 1942	35.00
"	6s	1/15/48		July 15, 1941 and Jan. 15, 1942	60.00
"	4s	3/1/47		Sept. 1, 1941 and Mar. 1, 1942	40.00
"	3½s	3/1/47		Sept. 1, 1941 and Mar. 1, 1942	35.00
Consolidated Ry.	4s	7/1/54	(Tax Free)	July 1, 1941 and Jan. 1, 1942	40.00
"	4s	1/1/55	(Tax Free)	July 1, 1941 and Jan. 1, 1942	40.00
"	4s	1/1/56	(Tax Free)	July 1, 1941 and Jan. 1, 1942	40.00
"	4s	4/1/55	(Tax Free)	Oct. 1, 1941 and Apr. 1, 1942	40.00
# N.Y.N.H.&H.R.R.	3½s	4/1/54	(Tax Free)	Oct. 1, 1941 and Apr. 1, 1942	35.00

COUPONS MUST BE COLLECTED THROUGH REGULAR BANKING CHANNELS. Checks for payments of interest on fully registered bonds will be mailed to holders of record May 29, 1944. #Scrip certificates must be forwarded direct to Treasurer, 71 Meadow Street, New Haven 6, Conn.

N.Y.N.H.&H.R.R. 6s 4/1/40	Two (2) semi-annual installments of interest due Oct. 1, 1943 and Apr. 1, 1944 amounting to..................	$57.58
	and a PAYMENT ON PRINCIPAL OF:..............................	$32.50

Bonds both registered and bearer form must be presented to IRVING TRUST COMPANY, ONE WALL STREET, NEW YORK CITY for stamping of payments when collected.

When presenting coupons from tax free issues, only one ownership certificate Form 1000 or 1001 is required to cover the entire payment.

E. L. BARTHOLOMEW,
Treasurer

The New York New Haven and Hartford RAILROAD CO.

SERVING NEW YORK AND THE GREAT INDUSTRIAL STATES OF MASSACHUSETTS
RHODE ISLAND AND CONNECTICUT

"Hard Money" Examined

(Continued from page 2260)

would be folly if we sought the panacea for the deep-seated international economic disequilibrium solely through monetary policies."

Notwithstanding these views Dr. Chen, this writer is quite willing to grant Mr. Brownell that there exists among the uneducated masses in India, China, and various other peoples—such as the Indians of Latin America—a desire to own silver. Some may desire it as currency or as a store of value; others, primarily in articles of personal adornment. Such people, however, are accustomed to changes in the price of silver and I am not aware of any demands from them that the price be pegged through bimetallism or otherwise. The cheaper and more plentiful silver is, the more they can acquire.

It is quite easy to supply this desire for silver without putting currencies on the silver standard, without pegging the market price of silver, and without introducing international bimetallism. For many years before the war Indians and Chinese bought silver without any such governmental arrangements.

For the sake of the argument, grant Mr. Brownell that the Chinese Government after the war goes on a silver standard and seeks to acquire silver. Would it not be throwing obstacles in her path for us to adopt Mr. Brownell's policy of making silver dearer and harder to get? Would we not rather help China get silver if we lowered our selling price for silver, or if we lent China the silver, or gave China silver? Perhaps this is in any case beside the point, for when this war ends China will probably be less willing to devote precious foreign exchange to buying silver, and more desirous of buying rehabilitation and reconstruction supplies.

For whatever it is worth in this connection, we may note that China is one of the countries reported as subscribing to the United Nations currency-stabilization plan of April 1944, a plan which expresses the intention to fix the par values of members' currency units in gold.

In citing the traditional Chinese and Indian liking for silver, Mr. Brownell lays special emphasis on the fact that those peoples constitute a great part of the world's population. After telling us that the peoples of not only Asia, but Africa as well, are "silver using," he states:

> The average Asiatic does not aspire to the possession of gold, which is beyond his reach. Silver is what he wants, because silver is the gold of the masses. Any post-war monetary system must recognize the situation of these people, who constitute approximately 1 billion human beings, or nearly one-half of the estimated population of the earth.

Not only can the Chinese and Indians more readily supply their silver wants at a low if fluctuating price than at a fixed and high one such as Mr. Brownell's $1.29-an-ounce plan, but they can do so, in the future as in the past, without international bimetallism. If they do not ask for bimetallism or for the silver standard, it is not up to us to adopt it for them. In any case, Mr. Brownell seems to overstress the economic importance of the Asiatic half of the world's population. In 1936—the last pre-war year in Asia—their international trade constituted only 13% of the world's foreign trade.[2]

(2) **The "shortage of gold."**—The "shortage of gold" argument now being used featured the silver discussions of the last century. It was given wide circulation by Mr. Brownell during the silver agitation of the 1930's. It is not a new argument.

Whether there is "enough" gold depends on the purpose one has in mind. Certainly there is not enough gold to supply a 100% reserve for every dollar of United States currency outstanding and for every bank-deposit dollar subject to check. Outside the United States this is equally true, for some countries have little or no gold at all. Can there ever be "enough" gold to satisfy anyone who has a "good as gold" substitute to sell?

Mr. Brownell supports his contention of the inadequacy of physical gold by quoting some 1930 predictions of the League of Nations gold delegation as to a gold shortage. What the gold delegation's unrealized predictions mean to this writer is, chiely, that predictions are risky. The gold delegation could not foresee the steps that would be taken to economize gold, including the increase in price enacted by various governments. Similarly, we cannot today rely too much on Mr. Brownell's predictions.

The accompanying table compares the 1930 predictions of the gold delegation, covering world gold production, including the important gold-mining U. S. S. R., and 1943 estimates of the Federal Reserve Board for the same years, omitting U. S. S. R. data. Despite this important omission and despite the retarding effects of the war on gold mining, the actual output in 1940 was 130% greater than the gold delegation had forecast.

Gold production—Forecast and fact

Year	Estimated world gold production, in millions of 1944 dollars, according to— Gold delegation of the financial committee, League of Nations, 1930 (including U.S.S.R.) 1	Estimated world gold production, in millions of 1944 dollars, according to— Federal Reserve Board (excluding U.S.S.R.) 2
1930	683	432
1931	679	461
1932	693	498
1933	688	525
1934	681	958
1935	673	1,050
1936	671	1,153
1937	662	1,229
1938	649	1,320
1939	625	1,384
1940	625	1,437

1 These figures taken from C. O. Hardy's Is There Enough Gold?, Bookings Institution, 1936, p. 85, and here converted into dollars of the present weight, i. e., 1 ounce gold equals $35.

2 From Banking and Monetary Statistics, 1943, p. 543.

In 1932 Mr. Brownell himself made some predictions when testifying in Washington in behalf of silver-purchase legislation. He then stated:

> The more one studies the situation of gold, the more one is convinced of the grave danger that the future production of gold will not be in quantity anything like as much as it is today. And that is regardless of the fact that in the next 1, 2, or 3 years the production of gold will increase to some extent.

And as to China and the silver standard Mr. Brownell predicted:

> It is highly improbable, if not impossible, within the next 100 years, to get India and China to abandon the use of silver.

The silver-purchase law Mr. Brownell wanted was soon afterward enacted. But the above predictions were not realized. The mine production of gold was greatly increased by early developments Mr. Brownell could not foresee. And, within 3 years of his prediction, China gave up the silver standard, being driven off it by the very American silver-purchase legislation for the enactment of which Mr. Brownell so busily worked. Only a few years later the Government of British India found the people willing to accept a large reduction in the fineness of the silver coins.

Dr. C. O. Hardy, the well-known economist who in 1936 wrote for Brookings Institution a study called Is There Enough Gold?, in 1944 has the following to say on this question:

> All fears are over with respect to the adequacy of the total gold supply to meet total demand for monetary reserves or for international payments. In the late twenties there was much anxiety lest within a few years a dwindling supply of new gold, combined with rigid reserve requirements, would put deflationary pressure on all the monetary systems. The writer has elsewhere indicated his grounds for concluding that even under the conditions that existed in 1925-30 the facts did not warrant any such apprehension. In any case it is clear that such apprehensions are not likely to revive within the next decade or two, unless the whole level of incomes and prices rises far above present levels. In the past decade the monetary gold stock of the world as measured in dollars has trebled, partly by upward revaluation, partly by transfer of large amounts of gold from the hoards of India into the reserves of the western world, and partly by an enormous increase in the scale of production. In 1930 the gold reserves of central banks and governments amounted to something over 10 billion dollars, or about 17 billion dollars at the present price; now they total over 32 billion dollars. Gold production amounted to 1,250 million dollars in 1941 as compared with about 600 million (at the present price of gold) in 1926-30. The most noteworthy increases of output were in the United States, where production doubled between 1934 and 1940, in Canada where the increase was nearly as great, and in Russia.[3]

Since the last real use for gold is to settle adverse international balances, of which we have none, and since our gold stock is several times as valuable as it was when gold coin still circulated here, our $22,000,000,000 gold stock ought to last us quite a while.

For the United States, which supported a great boom in the 1920's on a $4,000,000,000 gold stock, our present holdings certainly are not too little. Besides, since the 1920's we have found various devices for economizing the use of gold. So when Mr. Brownell says there is not enough gold, he surely canot mean here.

Have we, then, too large a fraction of the world's monetary gold? Putting an increased value on the world's silver, as Mr. Brownell desires, whether by international or by United States action alone, will not correct the concentration of gold here. Rather, it will increase the existing idle concentration of the bulk of the world's silver here, a concentration itself the result of earlier silver-purchase acts. In other words, a higher United States Treasury price for silver, under the device of bimetallism, far from correcting the concentration of gold here is certain to follow the pattern of the Silver Purchase Act of 1934 and concentrate still more of the world's silver here.

(3) **The price of gold.**—Mr. Brownell states that an increase in the price of gold would be equivalent, in dollars, to an increase in the supply of that metal, but he is opposed to such a course for the present. Perhaps he has that in mind for a later date. He gives us this impression when, in discussing an increase in the price of gold, he writes that it "should only be done when clearly necessary." He seems willing enough to have the price of gold increase, once bimetallism is established, "should that [gold price increase] still seem desirable for the purpose of affording a sufficient amount of hard money." From the viewpoint of a gold-and-silver mining company this is an understandable flexibility of attitude. But from the standpoint of a theoretical bimetallist who elsewhere argues that the prices of gold and silver should be "pegged," this flexibility is utterly inconsistent.

As a mining man Mr. Brownell is rightly interested in the long-run future of gold. He asks how long mankind will preserve its belief in the value of gold if it is no longer in circulation and in common use as money. The fact is that almost everywhere a generation has been growing up that has not seen a gold coin in use—in the United States, in Britain, in Europe generally, in the Union of Soviet Socialist Republics, and in most other countries. If the people of the world do indeed change their views about gold, what of it? Most of us in this country have discarded red-flannel underwear. Should we pass a law making red-flannel underwear compulsory for all, just because a few do not wish to change?

The fact is that, with us, gold has practically but one real remaining monetary use, the "settlement of international balances." It still has an important psychological value when mentioned in connection with monetary and banking statistics. But in this country gold is no longer the individual's medium of exchange or store of value. Even in jewelry and dentistry it has been losing out to other metals.

(4) **Stocks of silver abroad.**—Mr. Brownell states that bimetallism can be launched with an estimated 6,000,000,000 ounces of monetary silver in the world, plus an estimated 5,000,000,000 ounces of nonmonetary silver that at a sufficiently attractive price might be sold by its present owners and so become monetary silver. As to the theory that there exists a very great store of old silver which could be readily melted down and turned into money, Mr. Dickson H. Leavens, long a student of the silver question and author of the book, Silver Money, in March this year expressed a contrary view. He sees no "great likelihood of large additions to monetary stocks" from such a source.

Mr. Brownell estimates that there is 6,000,000,000 ounces of monetary silver in the world. There is in this country alone—according to the Treasury Department — 3,193,000,000 ounces. Compared with the latter, we have Leavens' estimate of monetary silver in the world in 1933—4,940,000,000 ounces. On this basis, apart from any changes in the past decade, there is only about 1,750,000,000 ounces of monetary silver abroad. Most of our stock consists of bars or $1 coins stored indefinitely in Treasury vaults. The smaller part of our vast silver hoard is in circulation as fractional currency, plus a sprinkling of dollar coins. Abroad no government I know of holds an idle silver hoard. Whatever the amount of monetary silver held abroad may be, practically the whole of it is sure to be in active internal use as coin and therefore unavailable for use to settle international transactions under a bimetallic system. If we adopt a course that materially lifts the price of silver above the present United States-controlled level, foreign silver coins may be melted down again and shipped here, but only if they are replaced by fractional money of some other kind, including perhaps paper notes, the disadvantages of which Mr. Brownell carefully details. If there is a great amount of silver abroad in monetary use as subsidiary coin, either it will remain in such use, or it will be attracted here. In neither event will it contribute to true international bimetallism.

(5) **One-country "international" bimetallism.**—While the announced aim of many prosilver proposals is international bimetallism, their advocates are usually quite ready to accept something short of it, provided only the price of silver is enhanced. "Bimetallists" have various suggestions as to the ratio at which they want silver pegged to gold—16 to 1 or the like—but I cannot recall one who suggests taking as a bimetallic ratio the existing market ratio. Rather, they always demand a ratio that will lift the price of silver above its current price, as if you could not have bimetallism at the current price of silver as readily as at a higher price.

Throughout his recent pamphlet, International Bimetallism, Mr. Brownell lays special emphasis on the word "international," and in his newest pamphlet, Hard Money, he develops at length a line of argument which he calls "supplementing gold by **international** bimetallism" [bold mine]. Yet, as I see it, the give-away is when he states the fact that the job can be done "by **one** or more prominent nations." He suggests the United States and Great Britain. Just as in the 1930's the few avowed bimetallists and silver advocates were quite content in the end with a mere subsidy to silver sellers, so in my opinion they today seek merely to insure and improve the existing subsidy, for they are well aware of the congressional attempts to repeal the silver purchase acts now on the books. What in reality is being suggested, then, is protection of these acts. They are suggesting not enhancement and stabilization of the price of silver by true international action, which is unobtainable, but enhancement and stabilization of the world price by the United States Government alone. Only the United States would entertain such an idea.

We have had one recent experience with international action on behalf of silver: The London Silver Agreement of 1933. Eight governments were parties to that agreement, which was devised by Senator Key Pittman, of Nevada. The purchase of silver by five of these governments tended to raise the price of silver over a 4-year period.[4] Most of the silver bought during those 4 years was bought by the United States Government. The Mexican Government, also a party to the agreement, bought the second largest amount. And when the 4 years were up, the United States Government bought from the Mexican Government its full 4 years' accumulations, and paid it a profit of 9 cents an ounce to boot. An international agreement on silver could be obtained today only at our expense and would leave us holding the bag again. There is no demand from foreign governments for bimetallism, unless perchance the Mexican Government has made one, unannounced.

In connection with Mr. Brownell's willingness to see the United States institute bimetallism all by itself, it is worth recalling that in the last century, while there was still a chance to get an international agreement on bimetallism, the pressure of western mining interests and their willingness to see this country do it all alone led the European nations to step aside and let us do it all alone.[5]

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[2] According to Foreign Commerce Yearbook data.

[3] From the Post-War Role of Gold, by Charles O. Hardy, Vice President, Federal Reserve Bank, Kansas City, pp. 12-13. The Monetary Standards Inquiry, No. 8, New York, January, 1944.

[4] For details concerning the London Silver Agreement, see my article. The Silver Episode, in the Journal of Political Economy, October and December 1938.

The argument for bimetallism seems to assume that the American Congress can legislate into the people of the world a desire for silver. If this argument is really meant to be taken seriously, a good ansewer to it is contained in an editorial in the Wall Street Journal of September 28, 1942, which states:

> The cessation of free coinage was a governmental action. The rejection of silver as an ultimate price unit was the cause of the governmental action and was an instinctive reaction of the people itself. The people detached silver from gold as a full monetary metal and the governments merely registered that decision. * * *
>
> Governments, in short, do not make a metal a true monetary metal; only the people's consciousness can do that.

(6) **A higher price of silver through bimetallism.**—That Mr. Brownell has in mind a higher price of silver is clear from his pamphlets. In Hard Money he suggests $1.29 per ounce for silver because it "would fit most readily into various United States statutes." It would also, we may note, help the earnings of the American Smelting & Refining Co., but Mr. Brownell, its chairman of the board, does not mention that. The present price of silver, which was established by our Government and which rules in the world markets because we are the residual buyer, is only 45 cents an ounce. For years before the war this Government kept the price of silver artificially high.

Incidentally, the suggested price of $1.29 an ounce, high as it is, is modest compared with the $1.75, $3.50, and $5 an ounce, suggested by Mr. Brownell last fall in his pamphlet, International Bimetallism.

For us to confer upon silver, by the device of bimetallism or any more obvious Government subsidy, value which that metal does not unaided obtain in the market place, is just a way of cheapening the dollar. We make the dollar easier for silver sellers, including silver-mining interests to acquire. If we are to supplement our already immense gold stock artificially, why not frankly inflate in a manner that will not limit the benefits of the dollar cheapening to just those who have silver to sell? (I am not here advocating cheapening the dollar.)

Mr. Brownell strangely complains that the American Government "will not freely sell [silver] at the buying price" and has changed the buying price at times. We should note that the Silver Purchase Act of 1934, passed to appease the unappeasable silver bloc, forbids the sale of silver under present conditions. To obtain the silver bloc's consent to a temporary war measure — endorsed by the Army and Navy—permitting the sale of only some of the Treasury's idle silver bullion to metal-starved war industries took more than a year of struggle with congressional silver interests, and then the price was fixed more than 40% higher than the Treasury Department had recommended.[6] The changes in the price of silver Mr. Brownell mentions so regretfully were occasioned by the greed of silver interests and its aftermath.

Again, Mr. Brownell states that "the price of silver was never stabilized nor pegged by any nation." Yet, within three paragraphs he admits "that the United States alone, ever since 1934, has maintained a **pegged minimum** price of gold and silver." The fact is that the world price of silver has been controlled by the United States Treasury ever since it commenced operations under the wasteful Silver Purchase Act of 1934. Moreover, every country that ever had bimetallism automatically pegged the price of silver within its own borders.

Mr. Brownell cites the high recent quotations on gold and silver in India and elsewhere abroad as equivalent to a discount on the United States paper dollar. It needs to be understood that these high prices reflect the wartime restrictions on bullion, trade, and other movements and represent the local situations of the time. For example, a premium on gold in Bombay reflects such developments as: The limited supply of gold available on the market; the abundance of rupee funds created by expenditures of British and American forces in India; agricultural, political, and military developments; and the like. One might even conclude that the price of bullion in Bombay is the local market's estimate of the post-war depreciation of the rupee—a local discount on the paper rupee — but not on the United States dollar. No one should expect the price of bullion or anything else in wartime to be the same all over the world, when whole areas are isolated.[7]

Referring to Britain's adoption of the gold standard in 1816, Mr. Brownell wants us now to "correct a mere accident of history." He tells us that before 1800 bimetallism prevailed generally; after the Napoleonic wars, England adopted the gold standard, "in the horse and buggy age." Yet Mr. Brownell wants us now to go right back to the horse and buggy age by adopting bimetallism.

Mr. Brownell argues that sooner or later "over centuries of time" governments and their paper moneys end, but that gold and silver survive all such vicissitudes. If bimetallism is being offered as insurance against the demise of this nation, count me out.

Or does Mr. Brownell want me to have an opportunity to hoard gold and silver coins? Even if the nationalization of gold were revoked and gold coins issued, I should continue fearful that Uncle Sam would later change his mind and again take away the people's metal.

(7) **Other arguments—Subsidiary coins.**—Mr. Brownell's treatise makes a novel and special point of the supposed virtue, under his plan of bimetallism, of subsidiary coins having the same "intrinsic value" as face value. Such full-value subsidiary coins, he asserts, are "necessary." The obvious fact is that people pay no attention to the intrinsic value of their subsidiary coins in this country, which is the only country with which we need to be concerned. In every country a certain minimum amount of subsidiary coins is indispensable for everyday business, and up to that minimum the coins may be made of any metal at all and they will pass at face value. To put more "value" in them than is necesary would be simply wasteful. If some backward people in a foreign country do not trust their own government's subsidiary coins or paper currency, surely it is not our business to step in and rearrange matters. That is entirely a matter for the nation concerned.

"Poor man's gold."—One of Mr. Brownell's arguments for bimetallism is that it would protect the interests of the "poorer classes," but his reasoning here is hard to follow: The "poor man" argument is an old one and sounds philanthropic enough. Through bimetallism Mr. Brownell says we would avoid "depriving most of the poorer classes of the protection of gold." Instead, bimetallism would stabilize the price of siiver and thereby "satisfy the needs of the poorer classes and of silver-using peoples." This is all rather meaningless.

If by "poorer classes" Mr. Brownell refers to Americans, I can see no possible relationship between their welfare or happiness and a stabilized price of silver. In any event, the price of silver already is being stabilized under the indefensible silver-purchase legislation which continues on the statute books.

If Mr. Brownell is today concerned for the silver-using people of China and India, I wonder what he thinks of the depression and distress which the greed of the American silver bloc inflicted on China in 1934 and 1935. At that time this Government boosted the price of silver until the silver coins of more than a dozen foreign countries were drawn to the melting pot and exported to us as bullion. I do not recall that any bimetallist then offered a protest on behalf of the poor man. Instead, when China officially protested, Senator Key Pittman simply wired Washington that nothing must be done to interfere with the prosperity of the western silver States.

Bimetallism and a dollar bloc.—Mr. Brownell says that, if we adopted bimetallism, Latin America and many other nations would tend to tie their currencies to the dollar. We should note that this is already the case in many instances. Adoption of bimetallism by us would have nothing to do with this situation. Currencies are linked by reason of important economic or sometimes political relationships, but between independent countries they cannot be tied by mere unilateral legislative action alone. We could and do peg the foreign-exchange value of the pound sterling in terms of the dollar today, but only at much cost in lend-lease and other aid.

As for the argument that, if we adopt bimetallism other nations will follow our example, we need only recall our sad experience with the Silver Purchase Acts of 1878, 1890, 1934, and 1939. No one followed our example.

Bimetallism and security of loans.—Mr. Brownell's contention that with bimetallism in force we "could then safely make supervised loans to other nations, to enable them to stabilize their currencies" I cannot follow. We could do that quite as successfully or unsuccessfully without bimetallism. Under bimetallism, Mr. Brownell adds, "It would become possible for the United States safely to assist in solving the otherwise very difficult problem of London's blocked sterling foreign balances." If it is so utterly simple, why did not the British originate the Brownell plan? I see no relationship between the bimetallism proposal and the questions of post-war reconstruction loans or blocked balances.

Political pressures.—Mr. Brownell states that silver "would be real hard money as good as gold" and not subject like managed currency to "political and other pressures." Well of all things! And this from such a close and active friend of silver!

Conclusion

The one-country "international bimetallism" which Mr. Brownell would have this country adopt by congressional action in the last analysis boils down to simply this: A unilateral stabilization of the world silver market after the war at a price of silver sufficiently high, in my judgment, to put the white metal out of the reach of the only peoples who may still desire to own some of it and instead to attract to the vaults of the United States Treasury whatever silver the outside world and our own silver-mining interests can scrape up and sell.

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[5] See Henry B. Russell, International Monetary Conferences, New York and London, 1898, passim.

[6] Mr. Brownell himself came to Washington and "objected to the price" the Treasury had recommended.

[7] See my article on the gold premium in the Commercial and Financial Chronicle of Apr. 27, 1944.

Roosevelt Takes Issue With Churchill On Spain

President Roosevelt on May 30 at his press conference took issued with Prime Minister Churchill's conciliatory attitude toward the Franco government of Spain as voiced in his speech to the House of Commons on May 23. Mrs. Roosevelt also at her press conference the same day likewise dissented from the views of the Prime Minister, as to which we quote the following from advices May 30 to the New York "Herald Tribune" from its Washington bureau:

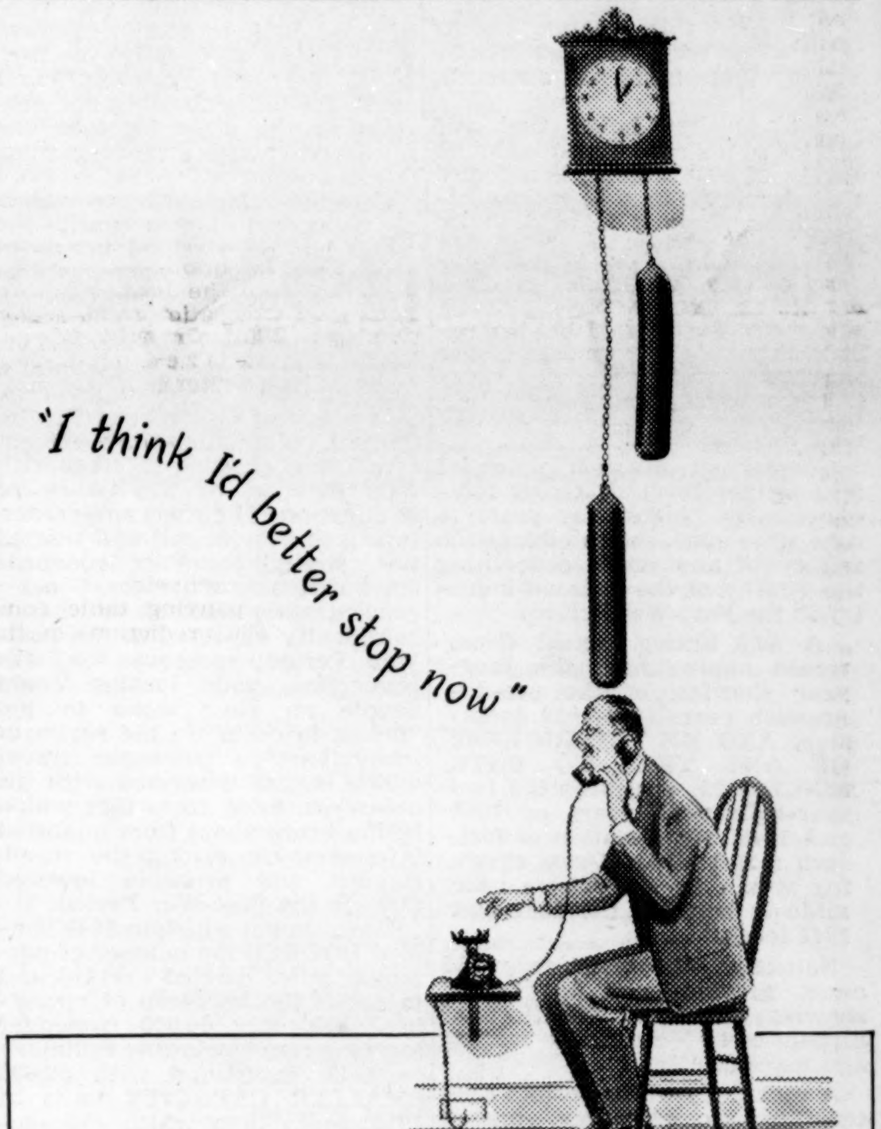
Whereas Mr. Churchill had said, "I am here to speak kindly words about Spain," President Roosevelt indicated dissatisfaction over Spain's role as a neutral in the war. Although movement of material, such as wolfram, to Germany from Spain has been reduced, the President said in his judgment Spain had not sufficiently reduced the volume of the shipments. Saying he did not want to make an issue of the point, he remarked in answer to a question that there had been no essential change in our relations with Spain.

Mrs. Roosevelt, at her morning press conference, was asked her opinion of Mr. Churchill's theory that Spain's attitude in ignoring preparations for the North African invasion compensated for the shipments of wolfram shipped to Germany. Mrs. Roosevelt's cryptic comment on Mr. Churchill's general attitude toward Spain was, "Mr. Churchill has thought that way for 60 years and that's the way he thinks on Spain, and I don't think he wants to change."

She did not define just what she meant by Mr. Churchill's thinking for 60 years, but she spoke forthrightly with a slight touch of sarcasm. The Commons speech in general, she said, was "very characteristic of Mr. Churchill."

The Prime Minister's attitude toward Spain—his apparent lack of interest in Spain's internal policies—has been severely criticized in many quarters. Also Great Britain's lenient attitude toward Spain has particularly irritated American officials who, it was learned, gave Britain a free hand with Spain, while the United States took a similar course with Argentina. American-Argentinean relations have not been as satisfactory as Britain's with Spain.

Although she was not commenting on Mr. Churchill's speech, Mrs. Roosevelt discussed the effect of the threat of unconditional surrender of the Nazis. She said that regardless of the terms of the surrender, the Germans feared more than anything the rage of the persons freed from the now occupied nations. Russia, she said, "will be more bitter toward Germany than either Great Britain or the United States and Germany fears her most, because Russia has been occupied, whereas we have not."


"I think I'd better stop now"

When Long Distance Says—

"Please limit your call to 5 minutes"

That's a good suggestion to follow. It means the lines to war-busy centers are crowded. It's a friendly, thoughtful act that helps the other fellow—and then some day turns right around and helps you.

BELL TELEPHONE SYSTEM

The Post-War Period Of The Railroads

(Continued from page 2255)

Revenues) of between $4½-$6½ billions!

In arriving at the Gross Operating Revenues level for the Post-War Period, consideration must be given to Mail, Express and Dining Car Revenues, Incidentals and Passenger Revenues. In order to be ultra-conservative, let us leave out entirely **ALL** Mail and Express Revenues (ceding them to the Post-War Aviation enthusiasts), at the same time discarding **ALL** Dining Car Revenues and Incidentals. In connection with Passenger Revenues, let us deflate the current approximate $1.7 billions level to the 1938 level of around $500 millions — thereby giving heed to the Aviation and Omnibus Post-War zealots!

Thus, we would discard **COMPLETELY** all Mail, Express and Dining Car Revenues, together with Incidentals, and also yield $1.2 billions of the present level of Passenger Revenues, thereby leaving only $500 millions (the 1938 depression-year rate of Passenger Traffic to be added to the previously-arrived-at Freight Revenues minimum-maximum of $4½-$6½ billions.

In other words a Post-War level of Gross Revenues for the Class 1 Roads of between the limits of $5.0-$7.0 billions finally results.

See how this amount checks with other estimates, reached by using other bases of statistical approach!

The speaker holds that the **MEAN** of his minimum-maximum levels, of $6.0 billions, is a figure that should be used in future calculations, since it is held to be most conservative — especially in the light of the knowledge that not **ALL** Mail, Express and Dining Car Revenues will be lost; furthermore, it is inconceivable that Passenger Revenues **IN THE EARLY PART** of the Post-War Period will sink to anywhere near the 1938 level!

Comparison of such potential $6.0 billion level of Gross Revenues with "highs" for years to date since 1926, shows clearly the fallacy of any doubt concerning the vitality of the railroad industry in the Post-War Period:

A $6.0 billion annual Gross would approximate the four-year showing of the pre-depression years 1926-1929, inclusive, AND BE THE HIGHEST OF ANY YEAR TO DATE SINCE 1929, excepting the two War-Influenced years of 1942 and 1943! As a matter of fact, such a $6.0 billion Gross showing would be somewhere near midway between the 1941 and 1942 levels!! . . .

Naturally, the question will arise, granted such a "Gross" showing, how about the effects of higher costs (especially wages) and taxes on "net"?

A real study of the factors contributing to efficiency, among others, will disclose the following selected observations:

Year	Miles Operated	Rev. Ton Miles in Billions	Frt. Cars	Locomotives Operated	Avg. Capac. Frt. Car	No. of Employees	Ton Miles Per Employee
1916	254.037	362,444	2,329,476	65,595	40.9	1,647,097	220,000
1943	229,085	727,048	*1,746,995	*41,907	50.8	1,355,129	536,000

*As of Oct. 1, 1943.

This efficiency should be very closely correlated with the record for 1916-1943 of the Annual Average Compensation Per Employee, which discloses:

	Hourly Wage	Wage Per Year
1916	28.3c	$892
1943	92.5c	$2,605

The offsetting influence of **far greater efficiency of operations** against steeper hourly and annual wage payments, is **INDELIBLY** proven by the following observations:

(1) In the period of 1916-1920, inclusive, which includes Government operation, the ratio of wages paid to annual gross revenues rose from a low of 40.8% to a high of 59.9%.

(2) **Following the return of railroad operations to private hands, the ratio quickly declined to 50.1% for 1921, and for subsequent years 1922 through 1929 NEVER EXCEEDED 47.7% NOR FELL BELOW 46.1%.**

(3) This eight-year record of excellent control was naturally interrupted by the early influences of the succeeding Business Depression, wherein for 1930 the ratio rose to 48.3% and further to 50.0% for 1931;

(4) But, in 1932 the exercise of control once more made its influence and together with the influence of a 10% wage deduction —effective during 1932 and 1933 —the ratio dropped back to 48.4%, following which the range for the years 1933-1937 inclusive never varied beyond 47.7%-45.4%, despite the return of 25% of the wage deduction on July 1, 1934, another 25% on Jan. 1, 1935 and the remaining 50% on April 1, 1935;

(5) In 1938, yet another recurring depression year, the ratio fell "out of bound" for just the one year — to 49.0% — influenced, no doubt, by the 7% wage rise effected in late 1937;

(6) But in 1939, the ratio dropped back to 46.6%, followed by 45.7% for 1940, 43.7% for 1941, 39.3% for 1942 and 39.0% for 1943—the latter showing notwithstanding the wage increase and retroactive wage awards granted late last year!

Certainly, this ability — outside of occasional lapses until the "reins had been pulled in" — to govern the ratio of wages paid to gross revenues for the past 28 years is no mere "happening," nor "chance showing"!

Contributing factors include a more intensive use during the recent years of Centralized Traffic Control, aluminum-alloy freight cars, Diesel engines, together with intensification of the policy of eliminations of curves and grades, laying of heavier rail and treated ties, strengthening of roadbeds and buttressing of bridges. Greater concentration along these lines is confidently expected in the Post-War Period; moreover, in this connection, your speaker could devote an hour alone to the "things to come" in the realm of innovations in passenger travel which he has witnessed with his own eyes, aside from that which he has heard about from qualified informers, concerning the speed, comfort and probable lowered fares in the Post-War Period.

Management which in 1943 handled **DOUBLE** the number of passenger miles carried in 1916, did so under the handicap of operating with only 44,000 passenger carrying cars (including Pullman) in 1943, contrasted with 62,606 **SMALLER CAPACITY** units in 1916; more than which management also learned in 1943 **HOW** to handle **DOUBLE** the ton-miles transported in 1916, with only 1,746,995 freight cars (as of October 31, 1943), or 75% of the 2,329,475 freight cars available in 1916, at the same time using (as of October 31, 1943) only 63% of the locomotives in service in 1916!

This new experience will not have been forgotten so quickly! . . .

Concerning taxes, much emphasis has been laid on the steep increase in accruals by the carriers of late, and the stupendous rises shown are perfectly true.

However, the speaker maintains that the carriers as an industry are not without some relief; credits from abandonments or retirements of property and equipment are factors of no small importance; use of the capitalization base in computing Excess Profits Tax Credits is a cloak of considerable relief; ability to purchase and retire debt at a large discount from parity **TAX-FREE** through the year 1945 is an allowance of great significance; permission for reorganized roads to figure their Excess Profits Tax based on the investment of the predecessor company is a boon enjoyed by the carriers solely until this year.

Looking to the future, when earnings drop below the Excess Profits Tax Exemption the ability to draw down a portion of those large Excess Profits Taxes heretofore paid, in many cases results in many roads being able to show Fixed Charges **COMFORTABLY EARNED**, even though the balance available prior to such "throwback" was barely equal to or even as much as 25% below the requirements.

Time does not permit a thorough analysis of this subject, but let us examine just two Roads with a record for large past Excess Profits Tax payments, as an example:

As the first illustration, your speaker uses the Chicago, Burlington & Quincy: for 1943 earnings available for fixed charges **before all taxes** covered Fixed Charges 9.05 times; coverage **after all taxes** was 4.15 times. It is indicated that 1944 results will be approximately the same, if not a trifle higher. If the earnings in 1945 or 1946, or both years, decline to the extent that annual Fixed Charges are **just** covered, the carryback provisions of the Revenue Act of 1943 would entitle the Road to a refund of an amount which would result in a coverage of Fixed Charges on a recalculated basis **after Federal Income Taxes** of about 1.75 times. On the other hand, were the earnings to decline for either or both of such years so substantial that the available balance for fixed charges equalled only 75% of the Fixed Charges (before recalculations), the carryback provision would allow for a Fixed Charge Coverage showing of nearly 1.50 times.

The Nickel Plate is used as the second example: for 1943 the Road showed earnings available for fixed charges **before all taxes** sufficient to cover Fixed Charges 6.6 times, with the showing **after all taxes** equal to 2.64 times; on the same basis of recalculation. Were earnings in 1945 or 1946, or both years, reduced to the point where Fixed Charges were just earned, then the credit as a result of the carryback provision would show Fixed Charge coverage **after Income Taxes** of 1.40 times. By the same token, if the earnings decline for either or both of such years was so drastic that the coverage was only 75% before recalculations, the carryback provision would allow for a refigured Fixed Charge Coverage showing of 1.25 times. . . .

In connection with the prospect for 4-6 years of Gross Revenues at at least the 1941 levels, with labor costs attuned to gross as in the past and tax rates being no worse, there is the concomitant influential factor of past debt retirement and that yet to be experienced, the weight of attendant fixed charge reduction and, notwithstanding, effects of substantial upbuilding of cash resources.

Since 1941, debt retirement (net) has been an estimated $1.1 billions, the current total of Funded Debt being estimated at $10.1 billions, vs. $11.2 billions at the close of 1941; in keeping therewith, fixed charges are down from $620 millions to roughly $547 millions (on an annual basis) now. Giving effect to only the known I.C.C. or Compromise Reorganization Plans — and to no further debt retirement — Fixed Debt will be reduced to in the neighborhood of $8.0 billions, and the annual Fixed Charges would then be approximately $442 millions.

Earnings available for Fixed Charges for the lean years since 1929 equalled $528 millions for 1938, $687 millions for 1935, $665 millions for 1934, $685 millions for 1933 and $550 millions for 1932.

Thus, it can be seen on the basis of present annual fixed charges, plus the future effects only of known I.C.C. or Compromise Reorganization Plans, that a return to the "low" earnings level of 1932-1933-1934-1935 and 1938 would show the total requirements comfortably earned. Naturally this observation is purely an "overall" condition.

In the light of the debt retirement and reduction in annual fixed charges so far experienced, note the outstanding growth in cash resources:

	12-31-43	12-31-41
Fixed and contingent debt	*$10,100,000,000	$11,200,000,000
Annual fixed charges	†547,000,000	620,000,000
Cash, temp. cash invest. and spl. deposits	$3,011,000,000	$1,100,000,000
Current assets	$4,468,000,000	$1,914,000,000
Current liabilities	2,917,000,000	1,098,000,000
Net current assets	$1,551,000,000	$816,000,000

*Estimated. †Estimated on an annual basis currently.

In other words, notwithstanding a slash of $1.1 billions in funded debt in the two years, net current assets have increased by $735 millions, while cash has jumped $1.9 billions.

This brief discourse on the "Post-War Period and the Railroads" would not be complete without some comment about what appears to be an inauguration of a refunding trend for railroad securities.

I do believe that the Pennsylvania Company "showed the way" by refunding $46,000,000 of 4s into a combination of $20,000,000 3⅛s and $15,000,000 serials, carrying an average coupon of 1.96%; the annual saving in interest of approximately $919,000 (net of tax effects) goes a long way towards meeting the $1,500,000 annual serials.

Then, the Burlington announced its program of refinancing $56,773,000 total of 1949 maturities, carrying 4% and 3½% coupons, with a combination of $30,000,000 3½s and $10,000,000 of five-year Serials, carrying 1½% interest — resulting in the substitution of a $1,200,000 annual interest requirement for $2,105,000 formerly. This $905,000 annual interest saving (again net of tax effects) goes a long way, likewise, toward meeting the $2,000,000 annual maturities for five years.

The Southern Pacific last week announced the call for redemption late this year of approximately $25,000,000 of debt, of which roughly $16,000,000 matures in 1949 and $9,000,000 in 1954. This, no doubt, is part of that System's step-by-step program of coping with its nearby debt maturities, which include approximately $24,000,000 of San Francisco Terminal 4s of 1950 (callable at 105) and $90,000,000 of Central Pacific First 4s of 1949 (non-callable before maturity) — a total of $114,000,000 debt due 1949-1950.

I feel confident that it is not too much to expect refunding action in the not-too-far-distant future on a total of as much as $94,000,000 of combined Louisville & Nashville Collateral 3½s-1950, Collateral 4s-1960 and Refunding 4s, 4½s and 5s of 2003—along the lines of the Pennsylvania and Burlington financing program, whereby present annual interest requirements thereon of roundly $4,000,000 might well be cut as much as possibly 50%.

With the splendid Post-War outlook for the automobile industry and thus the steel industry and **THEREBY** the iron ore industry, plus the present excellent position of its treasury, what is to stop the Great Northern from contemplating the substitution of possibly a relatively small amount of low-coupon serials for a total of $25.139,000 of Series "G" 4s-1946, the annual interest saving (net of taxes) going a long distance toward offsetting the annual Serial maturities; as a matter of fact, the Road might even be in the position of retiring the entire issue without recourse to financing!

In the case of Atlantic Coast Line, the Road's approximate $30,000,000 of Collateral Trust 4s-1952 lend themselves easily to a refunding operation whereby a substantial portion of the annual serial maturity needs (**IF** a Serial Collateral issue were used as the financing vehicle) could be met from the saving in interest charges; as an alternative, in view of the excellent state of finances and earnings prospects, a series of block-by-block redemptions could very easily eliminate the entire issue within the reasonably near future, thereby resulting in a $1,200,000 annual reduction in interest charges, currently running around $5,200,000.

New York, Chicago & St. Louis looks to be in a specially advantageous spot to be able to accomplish a major refunding program; a total of $47,746,000 of Combined First 3½s, "Clover Leaf" 4s and Refunding 5½s, with annual interest requirements of $2,225,000, might reasonably be expected to be refunded, whereby **IF** a possible combination of serials and lower coupon mortgage issues were used, there would result not only a sharp reduced annual interest requirement but also provide for a substantial portion of the serial maturities.

These are just a few of the **POSSIBILITIES** among the non-reorganization issues; there is even the prospect that among the reorganized group, Wabash First 4s (currently selling around 104) and Erie First Consolidated 4s (currently selling around 105) might eventually be refunded into lower coupon-bearing issues. . . .

Your speaker feels that the best summary of the Post-War Outlook for the Railroads can be given by repeating the observations made some four weeks ago at an address before the Association of Customers Brokers at the New York Stock Exchange, wherein he summarized:

"With no reconversion problems, no inventories which **MIGHT** have to be liquidated in the Post-War Period at a loss, nor excess plants which **MIGHT** have to be disposed of at a sacrifice; with the prospects for as much as four-six years of traffic levels somewhere between the 1942 and 1941 showings and earnings results at satisfactory levels and, in keeping therewith, a further inflow of cash, concurrent with added debt reduction, the railroad industry seems possessed of a continuing optimistic outlook.

"In fact, the speaker can confidently foresee an eventual return of investor confidence in railroad securities, to the extent where once more they will command the same high respect and compensatingly low yield as that experienced in the yesteryear; naturally, war developments will provide occasional interruption in this general direction but the overall trend appears positively onward!"

Petersen With H. R. Baker

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Fred J. Petersen has become associated with R. H. Baker & Co., Bank of America Building. Mr. Petersen was formerly in business for himself in Los Angeles.

Hearing On NASD "5% Spread"

(Continued from page 2251)

give a statement of the facts. We are, therefore, compelled to resort to conjecture.

Suppose a representative, or representatives, of the NASD conferred with a representative or representatives of the SEC. Time—prior to the promulgation of the "5% philosophy." Subject—the manner of such promulgation.

Is this supposition far-fetched? In view of the set-up, the interrelation between the SEC, the Maloney Act, and the NASD, the interlocking duties and responsibilities, we don't think so.

When so radical a step as the "5% spread limitation rule" was contemplated, in view of the supervisory power of the SEC, we believe there was a duty on the part of the NASD to get some expression of the latter's views on the subject.

Supposing further, the representatives of both groups, with full knowledge that a prospective "rule" under its by-laws had to meet the test of a vote by the NASD membership, agreed upon the establishment of the "5% philosophy" as an "interpretation" rather than a "rule," because all felt that the "rule" would not survive such test.

Supposing this by-pass was the subject of a sub-rosa understanding in the hope that the facts may not come to light.

Continuing our speculation on future events, if these suppositions have any foundation in fact, then the hearing on the "5% spread philosophy," when it comes, promises some interesting possibilities and we believe more than one face will be red before all of it is over.

We have already been notified by the attorneys for the "Securities Dealers Committee" that our Poll on the "5% rule" will be subpoenaed. We have no objection to giving the result of that poll for the nation and by state, but, will claim privilege with respect to the individual ballots, so that there may be no reprisals, and so that the balloting may be secret as intended. We, however, will be prepared to give competent testimony of the safeguards taken to insure accuracy of the results.

Our task as a witness will be a simple one.

Other witnesses, some of whom participated in the 5% set-up, we have reason to believe, will meet with considerable discomfiture. There will be a lot of tall explaining to do, and it requires no expert crystal gazer to foresee, that the subject matter of some of it will deal with our current "suppositions."

How about the Securities and Exchange Commission? If its members who are called upon to hear and determine the 5% controversy took part in conferences, if any, which gave rise to that "philosophy" and had a share in advising its passage, clearly they are disqualified from acting in an appellate capacity. To do so would be to sit in appeal on one's own judgment.

Here is the evil of SEC and NASD inter-relations. As auxiliary policemen, they have the duty of cooperative strategy, whilst one has appellate jurisdiction over the other, in matters where the policy involved may have been fixed by both.

THERE IS YET TIME FOR THE EXERCISE OF COMMON SENSE. THE FEELINGS OF SOME WELL-INTENTIONED, BUT SHORTSIGHTED PEOPLE MAY BE SPARED, AND THE ENTIRE SECURITIES INDUSTRY SERVED BY THE REVOCATION OF THE "5% SPREAD PHILOSOPHY." THIS REVOCATION, THE BOARD OF GOVERNORS OF THE NASD SHOULD EFFECT PROMPTLY. FORESIGHT, AND FAIR DEALING, DEMAND IT. THERE WOULD THEN BE NO NEED FOR AN EMBARRASSING HEARING.

Failing in this, the Board of Governors in the future will wish by hindsight, that it had exercised more foresight.

Ins. & Bank Stock Data

White & Company, Mississippi Valley Trust Building, St. Louis, Mo. have issued an interesting comparative table of insurance and bank stocks, giving liquidating value as of December 31st, 1943, approximate offering price, indicated annual dividend including extras, approximate yield at offering price, age of company, and number of years during which dividends have been paid.

Copies of this table and also a year-by-year accumulative record of Home Insurance Company showing assets, premiums written, losses paid, and dividends for ninety-one years may be had from White & Company upon request.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Brockway Motors, and American Export Airlines.

Secretary Hull Plans Discussions With Britain, Russia And China On World Peace And Security

Announcement was made by Secretary of State Hull on May 29 that the United States is ready to open informal conversations with Great Britain, Russia and China on the establishment of an international peace and security organization. Secretary Hull indicated that he was proceeding with the approval of President Roosevelt, and that in addition to the three countries named, informal discussions would follow with Governments of other United Nations.

In United Press accounts from Washington May 30 it was stated that Secretary Hull has never described specifically the type of post-war international organization he is planning. But other officials in the Department have revealed that it is similar to the one outlined May 24 by British Prime Minister Winston Churchill — a League of Nations armed with "overwhelming military force" to keep the peace. These advices added:

The structure of the organization now being considered would follow the outlines of the old League:

A world council of the major nations endowed with adequate powers and means to arrange for maintaining peace.

A general body in which all member states would be equally represented to serve as a world assembly of nations.

A court of international justice.

That has been described as the "minimum of machinery" which the new international organization should have. The key to it will be the allocation of power to the world council making it possible for such a body to call upon the military forces of the great powers for the suppression of future aggression.

Pointing out that it was made known by Mr. Hull that the "first phase" of his talks with the Senate Post-War Advisory Committee on Foreign Policy has been concluded, Associated Press said:

The Senate Committee evidently did not commit itself to any specific line of procedure or to any particular kind of organization but rather told Mr. Hull, it is understood, that it approved generally of the preliminary work he has done and desires him to continue with it.

When an international agreement is arrived at, that will have to be submitted for approval on its merits.

Secretary Hull's statement of May 29 follows:

"The first phase of the informal conversations with the eight senators has been concluded.

"We had frank and fruitful discussions on the general principles, questions and plans relating to the establishment of an international peace and security organization in accordance with the principles contained in the Moscow four-nation declaration, the Connally resolution and other similar declarations made in this country.

"I am definitely encouraged and am ready to proceed, with the approval of the President, with informal discussions on this subject with Great Britain, Russia and China and then with governments of other United Nations.

"Meanwhile, I shall have further discussions with these and other leaders of both parties in the two Houses of Congress, and with others.

"The door of non-partisanship will continue to be wide open here at the Department of State, especially when any phase of the planning for a post-war security organization is under consideration."

From Associated Press advices May 29 as given in the New York "Times" we take the following:

Secretary Hull's discussions with the Senate subcommittee were generally frank and as detailed as plans can be at this stage, it was learned tonight. A clear majority of the eight-man group, headed by Chairman Tom Connally, Tex., of the Senate Foreign Relations Committee, swung to support of the Secretary's program.

Senator Warren R. Austin, Republican, of Vermont, said he was "very much pleased to have the announcement that Mr. Hull is going to proceed with his negotiations and make the American proposal."

Senator Wallace H. White, Jr., Maine Republican, said he approved Mr. Hull's program so far as it had been explained to him. "I fully approve of the Secretary's plan to discuss it with other nations and I hope that from the discussions good will come."

Senator Guy M. Gillette, Democrat, of Iowa, said, "I think the statement rather clearly summarizes the results of our conferences to the present time."

N. Y. Analysts To Hear

At its luncheon meeting to be held June 1st, the New York Society of Security Analysts, Inc. will hear Leftenant Colonel Edward Behrens, President of Ocean Trust, speak on "Present and Post-War Financial Conditions in England."

On Monday meeting, Geoffrey Smith of the British Supply Mission will speak on jet-proppelled aircraft.

All meetings are held at 56 Broad Street at 12:30 p. m.

Lehman Bros. Offer RKO Preferred Stocks

A banking group headed by Lehman Brothers and Goldman, Sachs & Co. is making public offering today of 57,337 shares of Radio-Keith-Orpheum Corp. 6% preferred stock, cumulative, $100 par, priced at $91.25 a share.

Amounting to 44.7% of the Radio-Keith-Orpheum preferred shares issued and outstanding, the offering represents the preferred stock holdings of Atlas Corp. in the movie company and does not represent new financing. Atlas will get the proceeds, less the commissions to the underwriting group, and it will still remain the biggest single holder of R-K-O securities through ownership of 1,329,020 of the corporation's common shares, or 46.26% of this issue.

Each preferred share is convertible into eight shares of common stock on or before April 11, 1947. Preferred holders are entitled to vote on the basis of one vote for each share. The preferred may be redeemed, at the option of the corporation's board of directors, in whole or in part, at any time at $105 a share plus accrued dividends. The corporation has set up a preferred stock retirement fund, consisting of 10% of consolidated net earnings after preferred stock dividends. This fund may be used by directors for acquisition of shares for retirement at a maximum price of $100 a share plus accrued dividends.

THE EQUITABLE
LIFE ASSURANCE SOCIETY
OF THE UNITED STATES
393 Seventh Avenue, New York 1, N.Y.

Notice of Nomination of Directors

Notice is hereby given that in accordance with the provisions of the Insurance Law of the State of New York the Board of Directors of The Equitable Life Assurance Society of the United States has nominated the following named persons as candidates for election as Directors of said Society:

HENRY M. ALEXANDER, New York, N. Y.
Counsellor-at-Law. Member, Alexander & Keenan.

FRANCIS B. DAVIS, Jr., New York, N. Y.
Chairman of the Board, United States Rubber Company.

ROBERT J. DODDS, Pittsburgh, Pa.
Counsellor-at-Law.
Member, Reed, Smith, Shaw & McClay.

FRANKLIN SPENCER EDMONDS, Philadelphia, Pa.
Counsellor-at-Law.
Member, Edmonds, Obermayer & Rebmann.

CHARLES R. HOOK, Middletown, Ohio
President, The American Rolling Mill Company.

CHARLES W. KELLOGG, New York, N. Y.
President, Edison Electric Institute.

RICHARD W. LAWRENCE, New York, N. Y.
President, Bankers Commercial Corporation.

FRANK R. McCOY, Lewistown, Pa.
Maj. Gen. U. S. A., Retired.
President, Foreign Policy Association.

STERLING MORTON, Chicago, Ill.
Investments.

JOHN LORD O'BRIAN, Buffalo, N. Y.
Counsellor-at-Law.

THOMAS I. PARKINSON, New York, N. Y.
President of the Society.

EDWARD L. SHEA, New York, N. Y.
President, The North American Company.

A certificate of nomination of the said candidates has been duly filed with the Insurance Department of the State of New York.

The annual election of Directors of The Equitable Life Assurance Society of the United States will be held at its Home Office, 393 Seventh Avenue, New York 1, N. Y., on December 6, 1944, from 10 o'clock a.m. to 4 o'clock p.m., and at said election twelve Directors, constituting one Class of the Board of Directors, are to be elected for a term of three years from January 1, 1945. Policyholders whose policies or contracts are in force on the date of the election and have been in force at least one year prior thereto are entitled to vote in person or by proxy or by mail.

ALEXANDER McNEILL, *Secretary.*

May 31, 1944.

Regulated Monopoly Or Competition In Transportation

(Continued from page 2255)

tion, confusion and inconsistency must persist, even grow, at heavy cost to all.

Fundamental to that action is a clear understanding as to what interest is basic in transport. There are times when emphasis suggests that the prime purpose of transport is to provide profitable employment for capital—that of first significance is a fair return. Again, there are times when emphasis suggests that the most important end to be served is low rates to users, quite without regard to the effect of such rates upon other groups at interest. And there are times, increasingly frequent in recent years, when it might appear that the basic function of domestic transport is to provide employment for more and more at steadily rising rates of pay.

What **is** the basic function of our system of transport, then? The answer to that is surprisingly simple: public service. Be it in peace or in war, transportation is fundamental: its importance is unlikely to be over-stressed. Stated broadly, the public is entitled to that maximum service at minimum rates which, with due regard to the state of the art, is in the long-run feasible. Rates so low as to deny an adequate return upon capital invested or an adequate wage scale may for a period serve the interest of a major segment of the public, but a day of reckoning comes. Such a day is inevitable, too, if investor or worker, or both, profit excessively at the expense of the users. The body politic, not one nor several special-interest groups, must be served.

This is quite as true, when applied to **types** of transport as those special-interest groups. Too often, in discussions of policy, the matter of vital concern might seem to be preservation and promotion of transport by rail, or by highway, or by water or air, even pipe-line—that all other considerations are but secondary. Yet here again public service, not special interest, should control; except as a particular form of transport serves that public interest, it loses its reason for being. No modern form of transport has more of a vested interest than the Conestoga wagon, the stage coach, the pony express, or the flat boat and batteau.

I am asked to consider regulated monopoly versus competition — and, in event I reject monopoly, the manner in which competition should function. Obviously, choice again must be made upon the basis of broad public interest. Preliminary to judgment, let us examine the forms which monopoly and competition may take. Monopoly, as here used, I interpret to mean monopoly in an economic sense, rather than to connote "bigness," or to constitute an epithet. Such monopoly of transport might be built upon a regional basis, or it might be national in scope; some, who stress the wastes of competition and the possible savings of unification, envision an increase in those savings as the unit is enlarged; others, fearing that excessive size will occasion inefficiency or being merely timid, believe monopoly should be limited in scope geographically.

Thirty, even twenty-five years ago, the one form of domestic transport of consequence was rail; no effective competition was faced, except in restricted areas served by water. Today that situation is wholly changed. Active and aggressive competition functions upon the highways, where both for-hire and private vehicles operate in great numbers. Commercial air transport has already attained a considerable stature, with both commercial and private flying certain to expand sharply, post-war. And both pipe-line and water transport have been materially extended, commercial and private services being offered. If we choose monopoly, it would be essential that all for-hire services, at least, be subject to a single control—so monopoly, regional or national in scope, must obviously at a minimum embrace all rail, highway, air, water, and pipe-line facilities devoted to public use. But could such monopoly permit even the private carrier to continue free of major restraints—or refrain from strong and harrying efforts, at least, to impose those restraints?

Management of a transport monopoly, even though but regional in scope, would experience great difficulty in its efforts to utilize each type of transport to maximum advantage, alone, and in conjunction with others. Except as such enterprise evolved slowly and experience in management were accumulated, it is quite certain serious errors would be made, the public "paying the piper." But monopoly in the field of transport would raise soon, perhaps at once, the question of ownership. Should that ownership continue in private hands, or be vested in government? The resolution of that question cannot with certainty be known to us, but assuredly a long step would be taken toward government ownership of transport if the principle of monopoly in that field were accepted. While regulation might accomplish much to overcome and counter certain dangers of private monopoly, it is improbable that major goals could be attained except as the regulatory body assumed broad managerial functions—with a consequent deterioration in the strength of management and further drift toward public ownership. Monopoly of modern transport presents some particularly disturbing problems.

But what forms may competition take? Obviously, it may continue along present lines with little modification: some hundreds of railways of varying economic and financial strength, thousands of for-hire operators upon the highways of even more widely varying strength, water carriers, pipe-lines and airlines may continue without major change the struggle of the past fifteen years. Such continuance will result, as it has in the past, in losses to all over a period of years.

As alternatives to the current policy, I shall mention two other quite diverse plans. One would involve unification of particular types of transport agencies—the regional consolidation of railways, perhaps, and unification by type of motor, of water, of air. This would be followed by unrestricted, even compulsory, competition among types of transport. A second plan would, in sharp contrast, instead of arraying type against type, permit and encourage a coordination of types, thus making possible **a transportation service** to users, as against the specialized and restricted service any single type of transport may offer. Under such a program, the competitive transport systems developed would be built largely about the railways, and logically so; our railways are today, and for the predictable future promise to remain, the major agency of domestic transport, and private capital invested in them materially exceeds that invested in for-hire service by highway, water, pipe-line, or air.

For me the choice upon economic grounds between monopoly and competition in the field of transport falls, unhesitatingly, upon the latter. I recognize that competition may result in demonstrable wastes. That waste may sometimes be so great, or the inconvenience of competition so serious to the public, as to justify resort to monopoly with its danger of stagnation, its threat of increasing inertia. Because of the excessive wastes and inconveniences of competition in the local utility field, monopoly has there been accepted as proper, as in telephone and telegraph: monopoly, subject generally to close regulation to protect public interest.

No convincing evidence has been adduced to show that, under competition, the wastes in the field of transport exceed the gains. Furthermore, it is clear that many of the wastes, to which attention is drawn by those who challenge a competitive policy, could be reduced sharply by changes in that policy falling far short of monopoly. As against the wastes condemned by many, and even those that might continue under a more logical competitive regime, are the gains that may be expected to flow from competition through the years: gains to producing groups, gains to consumers of goods, gains to the public at large. Simple it is, and this has been done by the many who delight in the finger of scorn, to picture the evils of competition; discrimination among persons and places and duplication of services are conspicuous charges. Less evident, but highly important among the gains, are reductions in the level of rates, stimulation of enterprise, and improvement of service.

Perhaps most obvious of recent gains is the advance in railway service under the spur of highway competition. A steady but slow advance in railway service resulted under the stimulus of inter-railway competition. Spurred and inspired by highway competition, however, railway service has improved greatly within a brief span of years: quality of service as well as speeds have been sharply advanced. Highway competition has been financially costly to the railways, an economic "hair shirt," but it has been helpful, too—not the least of its services being to make a larger portion of the rising generation of railway executives more definitely **transportation,** instead of merely **rail,** minded.

Upon economic grounds, we have rejected monopoly. What, if any, is declared public policy with respect to monopoly as against competition in the field of transport? To that question the answer is unmistakable: monopoly stands condemned—even the word is one with which the demagogue can effectively conjure. True, during the half century past there have been strong advocates of monopoly in the form of government ownership and operation of railways. Some advocates of this policy were influenced strongly, doubtless, by the seeming success of government ownership and operation in certain European countries; some were actuated basically by self-interest, perhaps, as in the case of the Plumb Plan, actively advocated by the railway Brotherhoods some twenty-five years ago. Still others were led to its advocacy by resentment against conspicuous abuses, by an idealistic approach, or by a mere bookkeeping judgment that ignored essential elements in human nature.

An early champion of government ownership and operation of railways was William Jennings Bryan. Whether intellectual conviction or desire to discover a helpful political issue prompted his advocacy, we may not know, but his proposal gained acceptance from a mere handful, so failed completely to gain status as an issue. Later, government ownership and operation of railways became a major plank in the platform of an independent candidate for the Presidency. There is no evidence, however, that one who stood upon that platform, and is still in public life, now adheres to the principle. Rather, he seems to advocate competition so sharp as to approach, in the minds of many, destructive.

But perhaps the most quoted, and one of the most distinguished advocates of government ownership and operation of railways was the late and beloved Joseph B. Eastman. Appointed to the Interstate Commerce Commission with a background as public advocate, with accurate knowledge of Morgan-Mellon exploitation of the New Haven, and approaching the problems as an idealist, Mr. Eastman was for many years the respected spokesman for the advocates of this program. Yet, after years of experience and the benefit of a broader knowledge, he refused as Federal Coordinator of Transportation to recommend government ownership and operation of railways as a solution of the "railway problem" when the rails were in sore straits and the outlook for private control at its nadir. In answer to a question concerning his stand, Mr. Eastman said to me some years ago, "Government ownership and operation does not seem to be a sound solution now." Then he added with a smile, a smile both humorous and wry, "But I'm afraid I've been a great disappointment to some of my friends."

While never disavowing formally his belief in government ownership and operation of railways, he ceased to become an advocate, and the small group of adherents to this plan have in recent years had no genuine leader. Indeed, I think it can be safely said that this group grows progressively smaller as other forms of domestic transport develop—as competition has sharpened, as regulation in public interest has become more effective, and as the problem of transport becomes progressively complex.

The advocate of a national railway monopoly under private ownership and operation who has won widest hearing was one Nathan Amster. Some twenty-five years ago his so-called Amster Plan gained adherents among both political leaders and economists, but it was brushed aside without consideration when action was taken by the Congress in 1919 and 1920, and soon disappeared. More recently Mr. Carroll Miller, member of the Interstate Commerce Commission, proposed the consolidation of railways upon a national basis under private control, but the proposal made no strong impress.

Consolidation of railways into a single national system, under private ownership and operation, may well be dismissed as unacceptable to the public, and there is no doubt but that a monopoly of **all types** of transport in the United States under private direction would be even less acceptable, however much regulation. Similarly, there is small likelihood of public willingness to approve government ownership and operation, upon any basis or under any plan, of all forms of domestic transport. In principle and as a practical possibility, therefore, a monopoly of transport may well be dismissed unless revived by some unforeseen circumstances.

With the rejection of monopoly, it remains to examine competition as a force operating in public interest. A full presentation is precluded by time, so certain conclusions must be offered without the detailed analysis upon which those conclusions rest. But, first I desire to draw your attention to some significant statements and actions which merit consideration in connection with any study of policy in the field of transport. The Anti-Trust Division, United States Department of Justice, has been of late most aggressive in its attacks upon all evidences of cooperative action among agencies of transport and upon all other arrangements affecting transport that might be interpreted by them as restraint of trade under the Sherman Act.

The Vice-President, specifically in one address and incidentally in later ones, has attacked the railways with a bitterness characteristic of Granger days or of Populism. The gamut of his charge is broad, and skeletons are vigorously rattled, but of concern here are his assertions that touch curbs upon competition. Briefly stated, he asserts that public transport is again being brought under monopoly control, and he enumerates specifically the evil consequences; excessive rates; control of rates that denies to the public the benefits of more efficient and cheaper forms of transport; discrimination against major geographical areas; extension of rail control over newer forms of transport to create a "transportation monopoly"; and development of industrial monopolies, fostered by "monopolistic conditions in transportation." The essence of the Vice-President's demand in compulsory competition upon a broad front, with, seemingly, all those forms of cooperation barred which have contributed to stability of rates and all coordination of different types of transport facilities suspect.

An influential member of Congress, in a recent address, commenting upon those limitations upon uncontrolled competition which flow from the certificates of convenience and necessity, said, "I think there is a very serious question as to whether or not such limits (as imposed by administrative action) have not already become too rigid and whether we do not need more transportation enterprises, rather than less. . . . I simply suggest that possibly the Interstate Commerce Commission may have gone farther than necessary in discouraging the entry of new blood into the body of our transportation system."

Multiplication, not consolidation, would seem to be the desired goal—and specific comment by this gentleman upon proposals to consolidate railways suggests underlying opposition. Sharply critical is he, too, of any movement toward coordination of the various forms of transport under common ownership — though friendly to such coordination under voluntary agreements that safeguard public interest, albeit indefinite as to how such agreements are to be effectuated. Two attitudes seemed to dominate this speaker: a fear of monopoly or approach thereto in the field of transport, and a belief that, in public interest, more competition is desirable rather than that now existing, or less.

Another member of Congress in a position of importance urges legislative action that would bar any one type of transportation agency from control of another type. Not only would he apply this principle in the future, but he would revoke all actions already taken to unify diverse types of operation under common ownership. A third member of Congress in a position of equal importance has introduced a bill to bar all other types of transport from common-carrier air operations by making it unlawful to issue certificates to them. And, without mandate in law, the Civil Aeronautics Board refuses certificates covering air operations to carriers now operating surface transport — rail, highway, or water.

With the acceptance of competition as a controlling principle in the field of transport, a basic question arises: shall entire dependence be placed upon competition to safeguard all parties at interest, or is regulation in some form essential? Regulatory control was forced upon the railways: the forty years from 1870 witnessed a continuous struggle, with only an occasional and brief truce, between the railways and a determined public, with the former being driven steadily backward until by the Mann-Elkins Act restrictive control was largely complete. In striking contrast, however, have been extensions of the Interstate Commerce Act to cover other types of transport. Said the Interstate Commerce Commission in 1938, "The Motor Carrier Act, 1935, was favored by the organizations of both the truck and bus industries, and since its passage our rate-making powers have been invoked much more often by the motor carriers themselves than by the shippers. Similarly, the air carriers were urgent in their support of the Civil Aeronautics Act of 1938. These two acts provide for the motor carriers and the air carriers, respectively, a system of regulation which is, if anything, more comprehensive than that which has been provided for the railroads." And it was the established carriers by water that gave strong support to the timid extension of Federal regulatory control to water transport under the Transportation Act of 1940.

Shipper demand made railway regulation a reality, yet the strongest opponents of comprehensive regulation of highway and water transport were, curiously, shippers, actuated by the fear that regulation here might deprive them of advantages hitherto enjoyed. But, once adopted, there are few in any group—shippers, carriers, labor—who would eliminate regulation or materially lessen its scope, and regulation has strong public support. Whatever the manner or degree in which competition may function, comprehensive regulation should be continued under a strong regulatory body—**one**, not several. Except as this policy is followed, conflicts, wastes, abuses, confusion, are certain to become evident, to the ultimate loss of all. Indeed, it is only when public interest is safeguarded by strong and comprehensive regulation that certain paths may be opened to agencies of transport under a competitive scheme.

Assuming a continuance of regulation, how should competition operate? An infinite number of variations can here be conceived; for the sake of simplicity, I shall comment only upon the three definite and contrasting plans previously mentioned, however. Under one, as indicated, a definite prohibition would rest upon ownership or operation of instrumentalities of one type of transport by another type, and, to spur competition, voluntary coordination might well be held at a minimum, even barred. Under this plan, consolidation of separate corporate units of like type might be encouraged or atomistic competition compelled, but consolidations would be restricted within a single field, if approved—as rail and rail, highway and highway. The basic purpose of consolidation would be to increase the power of one type of transport to compete against others.

Such a plan is weak, I hold. Thus to array type against type would stimulate rivalry, it is true, but it would tend to increase the costs of competition through encouragement of duplications, through burdensome rivalries in the fields of both service and rates. Furthermore, such sharp competition would make any considerable degree of voluntary coordination of types difficult to obtain, yet it is an admitted fact that each type of transport has, with respect to particular traffic, advantages over other types. A clear and inescapable result of competition of types would be failure to meet one of the elements of a national transportation policy, as stated in the Transportation Act of 1940: so to act with respect to all modes of transport as "to recognize and preserve the inherent advantages of each." Technical progress has given us types of transport particularly adapted to various needs; there is no reason to believe that coordinated use will in any wise lessen or retard further progress. Any transport plan which denies opportunity for the effective utilization of each type of transport falls short of public interest. And, since the program here sketched does fall short, it should be rejected.

A second course that may be pursued is that which has been followed during years just past—an ill-defined course, lacking clear goal, and marked by confusion and conflict. Under the Interstate Commerce Act as amended, provision is made for the consolidation of railways and for the unification of highway operations—yet with respect to the latter, at least, the Department of Justice has shown clearly an unwillingness to accept Commission interpretation of public interest. Provision is made, likewise, for acquisition of highway operations by rail, express, or water carriers, but special restrictions are imposed which impede such action—and even the conservative policy of the Interstate Commerce Commission in "acquisition of control" applications has been subjected to sharp criticism in influential quarters because it allegedly "abets monopoly." The Panama Canal Act remains in effect, sharply limiting the coordination of inland and coastwise transport with other competing types. And a limiting provision of the Civil Aeronautics Act has been used by the Board as a means of enforcing a policy for which no statutory basis exists.

Under laws now in effect competition is subject to certain limits, the determination of which rests with regulatory authority. For common carriers by rail, by highway, by air, and by water maximum and minimum rates may be set; for contract operators by highway and water minimums can be fixed. Broad controls also exist with respect to service by rail, by highway, and by air. Other controls reside in regulatory bodies, as a consequence of extensive permissive powers—among those being provisions that relate to consolidation, pooling, interlocking directorates, certificates of convenience and necessity, and securities. Speaking broadly, I believe that these controls over competition have been exercised wisely by Federal regulatory bodies, and should be continued. With few exceptions, those regulatory actions subject to question are a consequence of statutory defect rather than of regulatory unwisdom or desire to trespass upon the legislative prerogative of policy determination.

This second, and our present, course is a feasible one and may reasonably be expected in time to yield acceptable results—a system of transport capable of rendering that service to which the public is entitled at reasonable cost. But it represents a course plotted by "rule of thumb," slow, fumbling, circuitous—in sharp contrast with a course clearly drawn and fixed in accord with principle rather than expediency. Progress toward a system of transport capable of maximum service will be delayed by conflicts and antagonisms, by innumerable efforts of parties at interest to serve selfish ends, and the cost of progress will be heavy, in terms both of wasteful duplications and of a transportation service that falls far short of that which the public might reasonably expect under a considered plan.

A third and, in my judgment, preferred "way" under a competitive regime contrasts sharply with the first suggested because it envisions the close coordination of all types of transport, in contrast to a plan which would pit type against type. It contrasts with the second course, with procedure under existing statutes and existing lack of plan, in that action would be in accordance with an accepted program. Basic to this program would be preservation of competition in all areas where demand for service justified the operation of more than a single carrier—but competition in **transport** would be the goal, without regard to types or combinations of types serving. The elimination of wasteful competition would be sought, with regulatory authority empowered to act upon a broad front to give to the public the best possible service at minimum cost. Essential to the development of that maximum service at minimum cost is the coordination of all available forms of transport so that each, separately and in conjunction with others, may serve the public most effectively.

In the development of this program, opposition is most likely to proceed from two sources. The shipping public, even when close control is exercised as to rates charged by all agencies in the field, often opposes reductions in competition that are socially wasteful because of a desire to hold service competition at high pitch: it is this opposition which prompts many political and organization leaders to decry restrictions that are wholly justified, the allegation of monopoly often being wrongly made to discredit. Yet, in the long run, wasteful competition will react to the disadvantage not only of the carrier but of the shipper and the public also.

A second point at which opposition will continue strong is against the coordination of various types of transport. This opposition proceeds primarily from three fears: a deep and underlying fear on the part of many that coordination may prove, as a consequence of manipulations that are "devious and dark," but another name for monopolistic controls; a fear that the coordination of older, established forms of transport and the newer forms will result in retarding growth of the latter, particularly where that coordination comes through common ownership; and, finally and perhaps basically, the fear of the newer forms of transport that through coordination the railways will come to dominate all fields.

Fear of monopoly has been characteristic of our people from colonial days and "monopoly" has always been a word to stir public wrath. Yet, if a plan with competition as its corner stone were developed and a strong regulatory body enjoined to administer that plan, the fear of monopoly should no longer be justified—though the cry would undoubtedly be raised from time to time not only by the demagogue but also by such as might disagree with regulatory judgment.

Fear that coordination upon a broad scale might retard the progress of the newer forms of transport has some basis in theory, but I doubt if any basis in fact can be shown for such fear. Even though coordination were possible only through common ownership, there is little reason to believe that one type of transport would stifle and retard another utilized by it. Furthermore, it is certain that exclusive control of air transport, or water, for example, would be not vested in or closely coordinated with another type of transport—so there would be important segments free to function without interference and spurred to maximum endeavor by competitive rivalry.

That those engaged in highway and water transport should fear railway encroachment is not strange. The record of the railways in relation to competitive water transport is a record of bitter conflict, with right not all on one side—but, until Congress acted to safeguard water operations, victory was invariably with the railways. The relationship between railway and highway operator has likewise been one of conflict, with most railways too long blind to the worth and future of highway transport, too long determined to destroy rather than to utilize. In consequence of this antagonism, as well as of the individual operator's natural desire to maintain upon an independent basis an enterprise established by him, the highway industry's fear of rail domination is both real and understandable. From the standpoint of the public this fear is regrettable, as is regrettable the antagonism shown by the railways generally toward highway operations. This mutual antagonism, stemming from fear, has served as a significant bar to that coordination of highway and rail which would have reduced competitive wastes greatly and greatly improved public service.

Earlier in this discussion the statement was made which is so obvious, yet of which sight is so often lost in the welter of demands and counter demands from interested groups, that the purpose of transportation is public service, **not** the advantage of particular groups. Except as one challenges that proposition, I see no possible basis for opposition to that coordination of types of transport essential to maximum service. Such coordination may be secured through voluntary cooperation or through common ownership. Because I believe strongly in the social value of individual enterprise and that individual enterprise should therefore be preserved insofar as possible, I have a definite preference for coordination by voluntary cooperation. I am certain that, if those who determine policy in the various fields of transport approach this problem with an honest desire to develop plans for effective coordination in public interest, material progress can be made. In such negotiations, regulatory authority and shippers should have a voice—and can doubtless contribute much by counsel and guidance. Given by statute adequate powers to compel cooperation among all types and agencies of transport along lines found by it to be in public interest, regulatory authority can do much to stimulate voluntary cooperation by willingness to act positively as necessity arises.

But, though I prefer voluntary cooperation as an approach, I have no doubt but that under certain circumstances resort must be had to the consolidation of various types of transport under common ownership, if public need is to be best served. There will be situations in which voluntary action and regulatory authority fall short, sometimes because of the recalcitrance of those carriers whose cooperation is in a particular instance essential to effective coordination, sometimes for economic reasons. A properly coordinated system of transport will at times be of greater worth to society than a continuance of a multiplicity of independent transport undertakings. Belief in individual enterprise does not compel me to insist, for example, upon retention of the village shoemaker or the hand weaver toiling at home. Yet, under common ownership, with supplementary services often directed by those who formerly operated independently, many of the advantages of individual enterprise can be maintained, while the public benefits from that complete transportation service to which it is entitled.

In passing upon all applications intended to effect coordination, be they rested upon voluntary cooperation or common ownership, and in weighing any proposed orders that have coordination as a goal, regulatory authority should at all times seek to maintain healthy competition. There will be situations, of course, where the volume of traffic or other considerations may not justify competitive services; there are today many limited areas, many communities and traffic sources, served by but a single carrier. Furthermore, regulatory authority should not hesitate to modify terms under which an application to coordinate was approved, if actual performance under existing terms is found prejudicial to public interest. And, always, unless the gains expected to flow from the reduction or elimination of competition in a particular case are both considerable and clear, applications should be denied: it must be recognized that the benefits of competition have a price.

Essential to healthy competition and effective coordination of the various types of transport, is a single Federal regulatory body with an adequate and trained staff. This body must, to meet its responsibility be composed of men not only of unquestioned probity but of high capacity, also. Present broad powers over all forms of domestic transport must be continued with certain extensions—particularly with respect to coordination. And, that there may be no uncertainty as to what **is** public policy, the Congress should by statute define with clarity the desired goals and indicate the paths to be followed by the administrative authority in reaching them. This statement of policy should be formulated upon the basis of broad public interest alone; bias, group interest, political advantage, and other objectionable influences cannot safely be given weight. Then, under strong leadership, genuine progress should be made toward a solution of problems of transport now pressing.

Before closing, I believe it desirable, to minimize confusion, that I comment briefly upon the use of terms. Coordination, as here employed, concerns **service**, and in this discussion involves the utilization of two or more agencies of transport of different types to render a complete transport service. Coordination may be secured in any one of three ways: by voluntary cooperation, by order of regulatory authority under statutory enactment, or by common ownership. By some the term **integration** has been used in the same sense that I have used coordination; by others it has been used as the equivalent of coordination by common ownership. This confusion in meaning and use has made it possible for those who fear coordination by any means to bring into disfavor with many the broad concept of unified service, when opposition is basically to such service under common ownership—an opposition which stems from the old fear of monopoly. If the use of the term integration be continued, I suggest that stress be put upon **service**, with the manner in which integration is to be attained to be determined by regulatory authority upon the basis of facts in the particular situation.

I recognize that the statements made herein concerning competition and coordination constitute no detailed blue-print for future action. In no one mind and in no combination of minds, does the wisdom reside to determine today the detailed pattern that competition or that coordination should follow tomorrow. Goals can be set and general principles stated by the Congress for guidance, however. Decision in each particular case must then be left to regulatory authority. Heavy dependence must be placed upon that authority in developing a program designed to give maximum public benefit; upon the sound judgment of that body and its faithful stewardship we must rely through the years more largely than upon a growing mass of detailed and complex legislative enactments, giving small latitude for judgment.

Long years ago, so the story runs, an old painter, who so mixed his paints that they adhered to all surfaces, was asked by a rival workman with what he mixed those paints to yield invariable success. Came the testy reply, "With brains, sir! With brains!" And it is a generous measure of that same ingredient which the American people and regulatory authority must mix with tolerance, with knowledge, with determination, with faith, and with purposeful action, if from the confusion of today is to emerge a system of transport capable of serving the public as technical progress and experience permit.

Post-War Outlook For Building

(Continued from page 2250)

deferred demand, building increased sharply and was at record volume for the following four years—1925 through 1928.

This occurred because new building demands arose out of the wave of general economic expansion the country experienced. Outstanding, of course, in that period was the rapid growth of the automobile industry. The automobile revoluitonized transportation and extended the daily traveling radius of the average man from 5 to 15 miles. The expansion of the auto industry carried along with it the need for new factories, for service stations, for garages and for highways. Also, due to the extension of the daily traveling radius of the individual a much larger area was subject to urbanization. People were decentralizing and this movement created a demand for many types of community construction.

Now I want to discuss some of the factors that almost assuredly will affect the volume of construction in the post-war period.

First, We have the problem of transition, and this is an important post-war factor, because if we do not handle it properly industry will not have a running start for the big job and we may find ourselves with mass unemployment that will not augur well for the private-enterprise system. I do not believe that the construction industry has a conversion problem as such because the members of the industry are accustomed to switching from one type or size of project to another. The switch from wartime projects to peacetime projects is just a routine adjustment.

There will be, however, during this transition period certain definite problems affecting the rate with which the industry will switch over to its full peacetime volume. It may be anticipated that transition to peace will be in two stages. The first stage will be immediately following the end of hostilities in Europe or possibly earlier when the determination is made that the end in Europe is in sight, and the second stage will be the period following the defeat of Japan. On the assumption that the second stage will follow the first by about a year, it has been unofficially stated that probably 80% of the necessary reconversion of manufacturing industry will be completed at the start of the first full peacetime year. The period of transition will be largely controlled by Government, and I do not expect, nor do I think, that all wartime economic controls will be suddenly abolished the day after the first phase starts. The disastrous post-war price inflation after World War I is well remembered and there is the general agreement that repetition of it must be avoided. Thus you can appreciate that the speed with which the construction industry can get into high gear will depend mainly on the program of relaxation of government controls.

What will be the policy toward release of critical raw material? At present WPB is determined to maintain wartime restrictions on non-essential civilian construction without relaxation, with the exception of a slightly little more liberal attitude toward the release of materials for deferred maintenance. In view of the fact that total construction volume for 1943 was 50% below the 1942 peak, and for 1944 will probably be 75% below 1942, it is obvious that the strain on critical war materials has been greatly relieved, however, the manpower situation is still critical—and you can't build without labor.

It is quite possible that WPB may further modify its restrictions as the tempo of cancellaations of war contracts is accelerated and more men become available, because it is generally recognized that there is a backlog of construction demand and that an early resumption of construction is highly desirable for balancing our whole economy. Unquestionably Government authorities may be expected to give ample consideration to the claims of the industry for raw materials in programing all phases of the transition.

What will be the policy toward release of price, wage and rent controls? Naturally, none of us know today, but again I say that it is expected that the release will be gradual in order to ease the transition to a free economy and avoid, if possible, a period of chaos. Whenever ceilings are finally lifted, I believe that the demand for construction as well as for practically all classes of consumer goods will tend to rise and reach a new peacetime level substantially higher than the prewar level. One well-known economist estimates conservatively that the BLS index of wholesale prices of all commodities will be perhaps 75% above the 1939 average by the end of 1946. Others have estimated the increase as high as 100%. A few anticipate lower prices, although I cannot reconcile myself to this viewpoint.

The program followed in releasing controls, I think, will determine whether the post-war price level will be reached in an orderly manner or, as after World War I, by way of spectacular inflation, deflation and reflation.

At all stages the relationship between construction costs, involving both material prices and wage rates, and general commodity prices and, to an even greater extent, the relationship between construction costs to rents will affect current construction demand either favorably or unfavorably. The importance of these relationships cannot be overlooked because confusion as to probable price trends was a principal factor causing hesitation about new building ventures directly after World War I, and it is most likely that the future post-war construction market will be very sensitive to disproportionate rises in construction costs. In that previous post-war period construction costs moved further, percentagewise, above pre-war levels than did general commodity prices, and it is doubtful that this can happen again without serious affect on construction demands.

Now another question involving Government decision — how will surplus properties be disposed of? Not only will the program affect the construction market, but until the policies and the program are known, uncertainty will hang over the market and will cause hesitation as how such disposal will affect prices, values and the actual extent of local construction demand. To illustrate: Manufacturers or individuals may be inclined to delay building a new plant in the hope of picking up a war plant adaptable to their purpose; builders of houses might be reluctant to proceed with new projects in some areas if war housing has created a surplus due to elimination of second and third shifts in the factories if they didn't have assurance that the war-housing which was of temporary construction would be removed. This, of course, was the intention in many cases when the houses were built, but the builders will want a restatement of the policy. Then there is the question of disposition of Government-owned inventories of ocnstruction materials. Will they be released for civilian use in the early stages of construction revival, when new production is low, and through normal trade channels? And then there is the matter of disposition of land owned by the Federal Government, which, by the way, is said to exceed the entire New England States area. The Government's program of disposal of this land and making suitable acreage available for peacetime development will affect construction demand and real estate values in the affected localities.

In addition to the transition problems I have already referred to there are several other problems that will be receiving much attention at the same time.

One of the problems I have in mind is the matter of emergency Federal spending in the post-war period. Unnecessary Federal spending at that time would increase the inflation pressure that will exist and aggravate a major economic problem rather than solving any. I think we can agree that inflation control will be a major post-war problem. In both the transition period and in the post-war period the biggest problems of the Federal Government, in managing its fiscal policy for maximum benefit to our economy, will be controlling inflation and controlling the post-war boom. Purchasing power will be distributed through systematic redemption of war bonds, by ordinary distribution of income to persons working and possibly to some extent by payment of unemployment benefits. Whenever restrictions are lifted, purchasing power will continue to be as it is today, greatly in excess of available goods and services, and therefore the threat of inflation will be far greater after the war than during the war. If the problem of transition are considered as constituting an emergency, it will not be a purchasing power emergency to be met with lavish spending but an emergency whose solution will depend upon good management—good management by Government and industry in making the speediest possible adjustment to peacetime conditions. Awkwardness and delay in effecting the transition could result in distress situations that would strengthen political pressures for unsound relief measures contrary to the actual economic necessities of the situation.

Another problem that is being given considerable attention has to do with the large-scale rehabilitation of blighted areas in cities and towns because it is a major real estate problem of long standing. Some are approaching this problem as a post-war construction opportunity while others see it as a convenient vehicle for large Federal spending. The earliest attack on this problem was with the program of Federally-subsidized public housing—sometimes called "slum-clearance." The dual purpose of the program (economic on the real estate rehabilitation side and philanthropic on the family welfare side) led to confusion in policy. It has become evident that much blighted property should be redeveloped for purpose other than housing. To this end, some States have enacted legislation which will encourage the rehabilitation by private capital, but the existing lows should be studied further in order to assure their workability in the post-war period.

One other pertinent problem worthy of the most intense study relates to taxation. But public and private construction demand are strangely affected by local as well as by Federal taxation. States and local governments seeking new sources of revenue to offset desirable reductions in real estate taxes find most of these sources are preempted by the Federal Government. One argument being advanced for heavy Federal subsidies for local public works and urban redevelopment in the post-war period is, that since the Federal Government will continue to preempt most of the tax revenue, the only hope for States and local governments is to lobby for as generous handouts from Congress as they can get. The impact of high income surtaxes, high taxes on corporate income and capital gains taxes, upon investment incentives, must be considered. These tax burdens tend to discourage investment in various types of private construction such as utility improvements, industrial plants, commercial buildings and rental housing, just as they discourage investment of risk capital in new enterprises. The program and policies Congress will adopt with respect to Federal taxation in the post-war period will greatly affect the volume of such private construction as represents new business ventures of any kind.

Well, enough of the "problems" for the moment, and let me tell you about our post-war construction volume estimates and why we think they are conservative in spite of the many problems facing the industry which I have just related to you.

As we see it, a decade of high-volume construction activity is indicated by a realistic analysis of the following factors:

(a) Measures of deferred demands.
(b) Housing needs of new families and probable replacement demand.
(c) Prospects of industrial and commercial expansion.
(d) Anticipated needs for community developments and public improvements.
(e) Prospective post-war national income.
(f) (As a check) comparisons with the post-war decade following World War I (1920-29) with careful consideration of similarities and differences.

Against the prospects of much higher national income and the carryover of greater accumulations of purchasing power than after World War I must be balanced by the fact that 1920-1929 was the decade of largest numerical increase in population this country ever had, and it was also the decade of largest increase in urban population. The decade 1940-1949 will have only half the numerical increase in total population that actually took place between 1920 and 1929. According to the Department of Commerce estimates, new family formations will be one-sixth less in number during the current decade than in the decade 1920-1929. These population factors have a direct bearing on residential building demand and an indirect bearing on construction of facilities that supplement home building.

The F. W. Dodge Corp. has estimated that total construction volume in the 10 years following the war will be approximately twice the volume of the 1930-1939 decade. This total would be about 5% ahead of the prosperous 1920-1929 decade. The estimate for post-war volume is in terms of pre-war cost levels.

Within this increase, residential building volume is expected to triple the 1930-1939 period and would be about 8% ahead of the 1920-1929 period; non-residential building would increase probably 70% over the '30s but would be about 20% under the decade of the '20s; heavy-engineering work would be approximately 50% over both the decade of the '20s and the '30s.

If the estimated rates of increase shown by our estimates, which are on the basis of the 37 eastern States, are applied to the Department of Commerce figures, which purport to cover the entire country, we would have an annual average volume for the post-war decade of $9,600,000,000 as compared with the annual average for 1920-1929 of $9,200,000,000 and of $4,800,000,000 for the decade of the '30s. The assumed post-war annual average was exceeded in each of the boom years of 1925 and 1929 and also in the war years of 1941 and 1942. It was not reached in any other year. Therefore it has taken, up to the present time, either a construction boom accompanying a great wave of economic expansion or a vast Government program of preparation for a global war to cause this assumed post-war figure to be equalled or exceeded.

Well, there is the Dodge estimate—but if you want a bigger one you won't have any trouble finding it. We won't argue about the rightness of advance estimates because estimates are not predictions and therefore argument would be futile. All we say is that:

1. We believe that there is evidence today that Government will adopt policies that will stimulate construction activity and all other business activities.

2. We believe strongly that the post-war economy will hold opportunity for broad economic expansion after wartime shortages have been caught up, but that we do not see at this time any clear indication as to what set of economic factors will dominate such expansion or as to the character and volume of construction demand that will accompany it.

3. We believe that given the adaptability and flexibility of construction industry, programs made now for the post-war period, on the basis of moderate estimates, can later be stepped up if necessary much easier and with less danger of trouble than would be the case if plans were laid for a much larger volume than later realized.

Eric Johnston Given Dollar Memorial Award

(Continued from first page)

form of a gold plaque, was founded in 1937 by the family of the late Captain Robert Dollar, to be presented annually to the American citizen chosen for his "distinguished contribution to the advancement of American foreign trade." The recipients of the Award in previous years were: the Secretary of State Cordell Hull, James A. Farrell, Thomas J. Watson, Eugene P. Thomas, the former Under Secretary of State, Sumner Welles, and Juan T. Trippe.

In making the announcement, Mr. Fletcher said in part:

"This annual Award had its inception in a resolution passed at the Twenty-fourth National Foreign Trade Convention of the National Foreign Trade Council, held in Cleveland in 1937. The National Foreign Trade Council, by resolution of the Convention was appointed Trustee of the Award. The Award Committee, appointed by the Board of the Council, comprises 41 members, selected from all sections of the country.

"It is in keeping with the sound judgment exhibited in previous selections for this high honor that a man so outstanding in the business life of the nation, as the President for the third term of the Chamber of Commerce of the United States, has been chosen this year as the recipient of the Award by those who are qualified to represent the foreign trade opinion of the nation.

"Mr. Johnston is a man of action who has infused into the discussion of national and international affairs something of the spirit and initiative he has displayed in his successful business career."

The presentation of the Award to Mr. Johnston will be made at the World Trade Dinner of the Thirty-first National Foreign Trade Convention, to be held in the Hotel Pennsylvania, New York, on October 10.

June Rail Prospects

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have issued an interesting bulletin discussing possibilites during June of several rail situations. A brief company by company synopsis of prospects in the reorganization field are also given. Copies of this bulletin may be had from Vilas & Hickey on request.

"Our Welfare Is Bound Up With That Of Other Nations": Nelson

(Continued from page 2254)

problem, questions of international supply forced themselves on us, and we had to penetrate deeply into them, and to take an active part in decisions which lie at the heart of our relations with other countries.

"What I have seen in the past few years has convinced me that a great change is taking place in the outlook of the American people on world economics. The war has made us aware as never before that our own future welfare is bound up with the welfare of other nations. We see that our own resources of raw materials are not unlimited. We see that we must look to foreign sources, particularly to sources in this hemisphere, for many materials. We see that we must have dependable overseas markets if we are to maintain high production and full employment. Moreover, it is plain to all that the years of high tariffs and extreme economic nationalism which followed the last war led directly to world-wide misery and strife. Increasingly we recognize that unless we build the world economy on the basis of sound and expanding trade among the nations, we must expect the next generation to reap such another harvest of war as has come in our time.

"As a result of what we have learned, in my judgment, isolationism is rapidly ceasing to be a major issue in American life. The good neighbor policy itself is a clear sign of the change. Our people know that we must have trade with other countries. And they know that in the modern world trade between nations requires clear understandings as to the nature and volume of exchange, credits and methods of payment. There is no theory about this. There is no sentiment about it. It is plain business sense. The question that the United States must face is not whether to have isolationism or internationalism. It is only a question of the character of the international agreements which we, like every other people in the world, must make in our own interest, in order to get the things we need, and get a fair return and active markets for the things we grow and make and sell.

"I want to stress the words 'in our own interest.' The prosperity of the United States, as well as that of the rest of the world, is closely bound up with the character and extent of our foreign trade. The periods of good business in America, when everybody who wants a job can get one, are also the periods when our exports are large, and when we import great quantities of materials and products from abroad. Every informed person agrees that widely spread purchasing power in other countries, and a high volume of world trade, are bulwarks of America's industrial welfare.

"The United States cannot afford to put off until the end of the war the problem of insuring post-war prosperity. We do not know when the Nazi collapse will come. We cannot now say with certainty how great a cut in war production will follow that collapse. The essential points is that whenever Germany's collapse comes, and whatever its impact upon our economy, we must be prepared. Only wise preparation now can prevent a serious post-war business depression, and a great wave of unemployment which would inevitably spread throughout the world.

"In preparing our internal ecnomy to withstand the shock of large cutbacks in war production we have vital need for a backlog of orders from abroad. And these orders need to be of a kind that will aid in creating not a temporary boom in foreign trade but a sustained expansion, a healthy expansion growing naturally out of an increase of the world's wealth and purchasing power.

"It is becoming ever clearer that the best method by which we can promote a sustained and healthy expansion of foreign trade is to aid undeveloped regions build up sound industries of their own. In the past 10 years the development of the Tennessee Valley has taught America how swiftly a great area can be improved through intelligent use of its industrial resources. We have seen how the rising standard of living and the growing purchasing power of the people in that and other areas have strengthened the nation as a whole. Moreover, the evidence is unmistakable that the United States would be wise to encourage the sound industrialization, not only of her own undeveloped regions but of other nations as well. We have learned that when we help other peoples build healthy industries we make them better customers for America. Canada is a good example. At one time many Americans feared that the industrialization of Canada would hurt our own industries. Today we can plainly see that as Canada's industries grew, so did the demand for goods among her people, their ability to pay, and the volume of their trade with the United States. We do not jeopardize our economic leadership but rather we insure that leadership when we work with friendly nations to bring about a sound increase in their productive wealth and purchasing power. We have much to gain and nothing to lose by supplying the materials and the new or used machinery and equipment which other countries need and which they can pay for in materials, goods or services.

"Wartime experience has already taught us techniques by which export sales of capital goods can readily be arranged. We have learned that we make progress when, instead of considering separate, unrelated requests for industrial goods, we put our heads together with the informed representatives of another country to consider a unified, comprehensive and carefully worked-out program of industrialization. The first such program to reach us came only two months ago from our very good neighbor Mexico. Working in close cooperation with our Department of State, the Foreign Economic Administration and the Coordinator for Inter-American Affairs, the War Production Board analyzed this program. Each proposed industrial project was considered on its wartime and post-war merits. Then we determined how and when the materials required for approved projects could be produced without interference with our own essential production. Orders for materials approved in the final arrangement will be placed at appropriate times by business concerns in Mexico with business concerns in this country.

"Although its scale is relatively small, if the results of this arrangement with Mexico fulfill expectations, it may indicate a sound line for action for other countries in whose welfare we have an equal interest and with whom we will be happy to work.

"There can be no question of the advantages of building healthy industries abroad, not only for the foreign nation concerned, but for the United States. Because of the tremendous demands of our armed forces and war industries, manpower in this country is now in short supply. In Mexico and other countries, however, manpower is available, and these countries in fact have generously responded to our requests for men to work on our farms and railroads. By increasing industrial facilities beyond our borders we can achieve greater over-all war output and thereby relieve the strain on our own resources. As soon as the war is over further benefits will accrue to us. Orders and jobs in heavy industries will be made more promptly available for our returning soldiers and trained workers, and over the long term our foreign trade position will be strengthened by steady improvement in the purchasing power of friendly peoples. At the same time the status of private enterprise is preserved. The Governments concerned need provide just enough regulation to make sure that the action taken is to their mutual long-range advantage.

"I feel deeply that only realistic collaboration along these lines will enable the Governments of the world to bring about a sustained expansion of trade and find peaceful solutions to their difficult economic problems. For after the war we must expect to see a complicated and perplexing world economy. You will have one or more socialist countries side by side with capitalist countries, while in yet other nations there are deeply-imbedded strains of feudalism. You will have private international cartels operating abroad side by side with free enterprise, and an element of government regulation as well. You will have industrial nations and agricultural nations, each with their special interests; and you will have victorious nations and conquered nations and neutral nations, with intricate emotional relationships carried over from the war. The world order will not look like an engineeing blueprint. Rather it will look like a jigsaw puzzle. The statesmen of the world will need to pool all their practical intelligence to put that puzzle together in a pattern of peace and prosperity.

"Perhaps even more important, they will need all their good-will. I am convinced that one of the main keys to a protected and lasting peace is the attitude of the men who negotiate the world's economic agreements in the period ahead. Only an attitude of fair play can succeed. If the great powers are willing to play fair with each other as they adjust their differences, and if they are willing to play fair with the weaker nations, then the end of this war cannot fail to usher in an era of constructive achievement on a world scale.

"To me this conception of fair play in international relations is no mere dream. I have seen it in action. I have seen it during this war, in the economic discussions of the United States with all the other United Nations. In these discussions each country has recognized that its own best interests are served by the wellbeing of the others. The result is that every problem, every controversy, even the most serious, has proved capable of reasonable solution. The agreements which we have made with one another are not mere wishful promises but straightforward statements of workable programs which are fully and effectively carried out.

"After the emotional pressures of the war are relaxed, it will undoubtedly be harder to reach workable international agreements. It will tax our patience and our ingenuity. But it must be done. We must see to it that the same attitude of patient fair play which has characterized the relations of the United Nations in wartime is carried over into the post-war period. Given that spirit of fair play, and given a sustained expression of the good neighbor policy in terms of healthy industrial development, I believe we can lay the foundation of security, freedom and economic democracy for all the people of the earth."

The Securities Salesman's Corner

An Opportunity In Your Community To Make Your Firm The Place To Go To Buy Or Sell Securities

The retail security dealers of this country are located in practically every city of any consequence throughout the land. In most of these cities there is a daily paper. People read every other type of advertisement—and advertisers of every product under the sun have found that CONSISTENT, intelligent advertising PAYS. It will also pay the security dealer—and the field is wide open.

The first and most lasting benefit that a security dealer can obtain from the proper use of publicity that gets his name and his PHILOSOPHY OF DOING BUSINESS before the public is that it paves the way for his salesmen. In communities ranging from 10,000 to 150,000 population, the newspaper rates are not high. If dealers used one ad a week and kept it up for 52 weeks—even if they did no more than put their name in the space and said WE BUY AND SELL STOCKS AND BONDS—there would hardly be a person who owned securities in their locality who wouldn't have an idea of who they were and what they did. This means a lot to a salesman. It's the difference between trying to sell a nameless product against one that everybody knows. After all, in this business, we don't sell a security—we sell a service—a reputation—in fact we sell ourselves. It is true that sometimes salesmen have found it worthwhile to use a big name security to open an account. They do this just because they have to overcome their own lack of reputation or that of the firm whom they represent. For the small cost involved, the PRESTIGE, CONSTANT REPETITION, AND THE CERTAIN AMOUNT OF MAIL ORDER BUSINESS AND DIRECT LEADS THAT COME ABOUT FROM A PROPERLY PREPARED ADVERTISING CAMPAIGN, THERE IS NO BETTER WAY TO BUILD UP A BUSINESS.

Then there is the convenience of such a campaign. If lead attracting advertisements are used, it is only necessary to prepare the copy, turn it over to the local paper, and the job is done until the leads appear. When it comes to comparing the simplicity of this method of attracting leads with the use of direct mail, the elimination of mailing list preparation, mimeographing, stamping, sealing, and sending out letters, the newspaper ads are made to order for these times of office help shortage.

It is not necessary to use large space to attract attention. Human copy, attention arresting headlines, special situation prepared in an interesting manner, use of coupons to be clipped and returned for additional information, these are the basic principles of successful newspaper advertising. Incidentally, we know of one dealer who has taken up newspaper advertising and kept at it consistently for the past several months. The direct results that he could trace to his advertising were negligible. However, several weeks ago he received a telephone call from an investor who said he would like to come in to this dealer's office and, of course, an appointment was made. It developed that this investor had been prompted to call by the newspaper ads. He has become an excellent account and this dealer feels that the business he will receive from this one source alone will more than repay him for the cost of his campaign. It was not so much what this dealer said in any particular ad which impressed this customer. When asked what caused him to telephone in the first place he said, "I have been reading your ads in the paper and somehow they appealed to me, so I though I would come in and see for myself if you could do anything for me."

Newspaper advertising should not be used exclusively nor to take the place of direct mail campaigns. Both have their place. In fact, direct mail campaigns if properly prepared should pull a greater percentage of inquiries than newspaper ads. However, a good newspaper campaign will also bring in leads if that is what you are after. Industry ads—electronics, railroad bonds, household equipment, fire-insurance stocks, plastics, automotive stocks, air-transport companies—these are the industries and securities the investor who has from $1,000 to $10,000 available for investment seem to be looking for today. Tell them you can help them select the right ones NOW—tell it to them in a short, concise, and interesting ad. Put a coupon on it for reply AND LET YOUR HOME TOWN PAPER TELL THEM THIS STORY WEEK AFTER WEEK FOR THE NEXT SIX MONTHS. If your ads are right—your profits will surely be on the right side of the ledger.

Keynes Disputes View That Monetary Plan Might Mean Return To Gold Standard

(Continued from page 2251)

close of the transitional period. Separate quotas for the remainder of the sterling areas will make a large addition.

"One major improvement now in the plan, said Lord Keynes, is that a proper share of the responsibility for maintaining the equilibrium of international payments is squarely placed on the shoulders of creditor countries. Americans, who are most likely to be affected, have offered, he said, a far-reaching form of protection against the recurrence of the main cause of deflation between wars. This is a tremendous extension of international cooperation.

"He said that during the post-war transitional period he hoped Britain's policy would be to develop the field wherein sterling would be freely available as rapidly as possible. This could be done under the plan without incurring any charge of action contrary to any general obligations plan."

Oxford Paper Attractive

Oxford Paper offers an attractive situation, according to a circular prepared by Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange and other principal Exchanges. Copies of this circular may be had upon request from Goodbody & Co.

Post-War & Railroads

McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange, have prepared an interesting discussion of "The Post-War Period and the Railroads." Copies of this discussion may be had from McLaughlin, Baird & Reuss upon request.

OUR REPORTER'S REPORT

The Wall Street Division of the War Finance Committee of New York is getting off to a flying start in its preparations for the approaching Fifth War Loan Drive.

Out to surpass their performance during the preceding campaign, which drew commendations of the Treasury Department, the leaders of the Wall Street aggregation are hard at work and have been for several weeks getting along with the preliminaries.

It is to be a race of teams again this time and that the competition will be extremely keen goes without saying. As a matter of fact banks, underwriting firms, brokerage houses and the Street in general are now in process of clearing their decks.

With the emphasis this time more than ever on sales to individuals, the financial community's teams might well adopt as their slogan that famous passage "None Shall Escape."

Leaders of the various banking and brokerage house teams have been hard at it in the matter of instructing employees of various houses which will make up their groups. They have been moving from firm to firm holding lectures and giving "pep" talks.

So when the whistle blows on June 12 next the financial district groups, as they have been in the past, will be found toeing the barrier and ready to go.

Ordered to Competition

Another potential deal was upset, at least temporarily, when the Securities and Exchange Commission late last week denied the request of the Capital Transit Co., of Washington, D. C., for exemption of its proposed financing from competitive bidding.

The company is an affiliate of the Washington Railway & Electric Co. which in turn is a subsidiary of the North American Co. The program outlined by Capital projected issuance and sale of $16,000,000 of 20-year 4% first mortgage bonds to refinance outstanding debt, as suggested by financial advisers.

Unless the company decides to let the matter drop for the time being, it will, of necessity, have to call for bids under Rule U-50.

Another Issue Deferred

Reports were current this week that the financing contemplated by the Greyhound Corporation would be permitted to go over until early next Fall.

Bankers are understood to have pretty well completed plans for the marketing of this operation which was to have involved some $10,000,000 of new securities.

But evidently delay on the part of the Interstate Commerce Commission in handing down its approval of the undertaking up to this time, and the proximity of the new War Loan Drive, have resulted in pushing the business back into the "futures" list.

One Issue This Week

Only one issue loomed as a possibility in the corporate market this week, namely the $6,040,000 of 30-year mortgage bonds on which the Texas-Missouri Pacific Terminal Railroad of New Orleans was scheduled to open bids late yesterday.

Several groups were known to be in the running for this piece of business and it was expected that barring any unforeseen developments marketwise, the successful bankers would proceed with public offering subject, of course, to formal approval by the Interstate Commerce Commission.

Guaranteed by the Texas & Pacific Railway and Missouri Pacific Railroad, the proceeds from the new issue would be applied to redemption on Sept. 1, at 107½ of an equal amount of outstanding first 5s due Sept. 1, 1964.

Recent Issues Strong

By and large the majority of recent new issues are commanding premiums over their offering prices, substantial in several instances.

Dealers find the situation aided materially by the absence of any sizeable corporate undertakings and report loose ends cleaning up nicely.

Utah Power & Light 3¾s due 1968, have proven the star performers, in the grouping, commanding a premium of practically a full 6 points over the offering price of 100⅝.

NASD Mark-Up Rule Impediment To Opening of Venture Capital Marts

(Continued from page 2251)

the reader to the large number of expressions on the subject which have appeared in these columns in each issue since April 13. These views were made by dealers in all parts of the country and the overwhelming majority contend that the 5% rule will seriously interfere with the marketing and retailing of the capital issues of the nation's smaller enterprises. Accordingly, small business, which is expected to shoulder a large share of the task of maintaining full employment and a high national income in the post-war period, will be largely deprived of the very ingredient essential to its functioning, namely, ability to obtain capital accommodation. In this connection, we give herewith some more comments of securities dealers on the subject.

It should be noted that the name of the city or town preceding the dealer's comments was obtained from the postmark appearing on the envelope in which the questionnaire was returned. In cases where publication of the name of the community would tend to identify the firm (as in places where only one firm exists), the point of origin is indicated by using the phrase, "A Small Maine Town," as an example, or its equivalent.

NEW YORK CITY

I believe that the market for securities of smaller corporations will practically cease to exist.

NEW YORK CITY

I think the 5% mark-up rule will hinder the smaller corporations from getting money.

NEW YORK CITY

Any regulation must have a bad effect. It is my belief that if they did away with the NASD it would be better for all concerned.

SALT LAKE CITY, UTAH

A very narrow market with little demand of the issue.

NEW YORK CITY

It must eventually decline for lack of sponsorship.

NEW YORK CITY

It will limit the channels through which capital can be raised by the smaller corporations. After all, the distribution of securities cannot be accomplished without an outlay of time, effort and expense, and these factors have to be compensated for as well as a reasonable profit to the salesman and the dealer. Besides all these pertinent facts, it does not appear to be the **American democratic way** of trying to force upon a majority, the apparent ideas and opinions of a minority supported by a bureaucratic agency, which in turn is exceeding the powers and anything granted it by congressional legislation.

NEW YORK CITY

Wider quotations due to lack of interest.

ELMIRA, N. Y.

In my belief it will kill it. In fact if present conditions and control continue I am pessimistic. There won't be any securities market as we have known it in past years and free enterprise in every line of business will cease to exist. And permit me to add, although it is getting away from your question, that while the NASD is supposed to be an association of over-the-counter dealers it is too much under the direction of N.Y. Stock Exchange members through the Board of Governors of NASD.

A SMALL PENNSYLVANIA TOWN

I am positive it cannot help the market in any way.

A SMALL PENNSYLVANIA TOWN

This mark-up rule, in conjunction with other rules and regulations of the NASD and the SEC will result in ruling out the smaller corporations and the smaller dealers from the investment markets and thereby deny the investor the service and protection on his investment funds that up to now he has had and expected.

NEW YORK CITY

Adverse, I favor 10% to 12½% spread especially on unlisted and over-the-counter securities.

A SMALL PENNSYLVANIA TOWN

Drastic (lack of incentive). What are we dealers in business for? We can't all be New York Stock Exchange members and be in the select chamber of Finance. Why can't the dealers all over the country be given a break on commissions for business turned over to Exchange firms? They want this business, but the dealers can't exist on "thanks yous." They have to act as "principal" most of the time—unless their volume through prestige advertising, etc., is such that they can easily afford to act as brokers.

This 5% figure is asinine on small transactions. We dealers can't all become large syndicate managers or promoters in handling large blocks of stocks and bonds. The NASD would find themselves with a much lower membership if they examined 100% all members in this 5% rule. Perhaps that is what some of them are working for.

UTICA, N .Y.

It will definitely deter if not entirely halt the issuance through investment houses of new securities of the smaller corporations.

BOSTON, MASS.

Such a rule would naturally place drastic limitation on such markets.

CHICAGO, ILL.
(From firm favoring rule)

None.

BOSTON, MASS.

Decidedly adverse. Due to lack of broad market and hence probably slowness of distribution it is necessary to inventory for a larger period and cost more to distribute. Definitely it should have much wider spread to encourage dealers to make markets profitable. Did you ever see fur coats, diamond rings, etc. within the 5% mark-up?

MINNEAPOLIS, MINN.

Believe small dealers will be unwilling to work on unknown items with consequent market difficulties in small situations. Such companies will probably go to R.F.C. for relief.

KALAMAZOO, MICH.

In my opinion in regards to markets on smaller corporations will be inactive and dead for the simple reason it will be impossible to hire salesmen to work and travel on a commission basis according to the 5% rule. By the time we take out social security and other taxes, there is nothing left to make it interesting for a salesman to spend his time working.

I, personally, do not believe many security dealers have deliberately overstepped in charging excessive commissions for their services and do not understand why we should all suffer for the mistakes of possibly a few. The competition today is too keen and the public are becoming too educated to be taken advantage of to any great extent and responsible brokers are too interested in the welfare of their own clients. I have been in the brokerage business over 30 years and am doing business with the same people that I started to do business with 20 years back. I congratulate you on the stand you are taking and believe you are 100% right.

PITTSBURGH, PA.

We are opposed to the enforcement of the so-called 5% mark-up rule or any rules by any governmental agency which attempts to limit or restrict anyone's profits.

If the trader or dealer in securities is to be limited as to his profits then all business and professions should likewise be limited as to the gross mark-up they could take. You cannot legislate honesty. The dealer or broker should be required to investigate all prospective salesmen, customers men and closely supervise their activities at all times. Only by careful investigation and constant supervision after employment begins can our business be safeguarded.

NEW YORK CITY

It is so obviously biased, by large houses, and unfair, that I have no words to express my feelings unless I wrote a book.

NEW YORK CITY

There is in my opinion no doubt that the 5% mark-up rule will have not only a tremendous damaging effect on the market of securities of the smaller corporations, but also on all the over-the-counter securities.

Under the 5% mark-up rule it simply does not pay for the retailer to do any extensive and necessary merchandising and selling job, involving a lot of time, travelling expenses, and so on and so forth.

The 5% mark-up rule in my opinion can only mean one thing: to kick the thousands of small houses out of business, whereby not only the bread of the little fellow is being taken away, but in the course of time the small corporations which depend on the over-the-counter market, as well as the few large wholesale houses will suffer a tremendous damaging effect. I definitely underwrite all the various comments in the "Financial Chronicle" against the 5% mark-up rule. In the interest of the smaller corporations as well as of the entire Security Industry I hope that the retail firms unite and do away with the autocrats of NASD.

SEATTLE, WASH.

Feel convinced it would become almost impossible to do new financing because of lack of incentive unless the remaining large houses are going to do all the business after the smaller operations are forced to quit business.

A SMALL INDIANA TOWN

It will ruin the market for smaller corporations.

LITTLE ROCK, ARK.

There just would not be any market and if there would be a market true value would not have any consideration.

A SMALL NEW JERSEY TOWN

As dealers in unlisted securities, operating almost entirely with a sales organization working on commission, it has practically forced us out of business.

SPOKANE, WASH.

Believe it would be unfavorable.

YAKIMA, WASH.

Will eliminate small broker who are the markets for smaller corporations securities. Am opposed to the entire crazy New Deal setup.

WALLACE, IDAHO

It would kill the effort.

MINNESOTA, MINN.
(From firm favoring rule)

None.

LOS ANGELES, CALIF.

Definite lack of interest on part of dealers resulting in widespread and hard to find markets.

CITY NOT KNOWN

In time it would cause a fold-up of the securities markets. That goes for either large or small corporations. Within my memory American Can and General Motors were small. Within the same memory, Kreuger and Toll was big. Look at it now. I'm going to scramble some eggs: the bigger they are the harder they fall. Great oaks from little acorns grow.

BIRMINGHAM, ALA.

The effect of 5% mark-up of securities will not affect us very much. That is, if we understand what the 5% mark-up means. In running a business what one makes on anything he sells is after all expenses are paid and what is left from the gross sale is his profit which I dare say is not 5%. We object to it on account of the lack of agreement on the part of any two firms agreeing as to what the profits should be on any one transaction. If the SEC and the NASD intends to fix prices then something definite and far reaching should be determined, and that definitely, so that people engaged in the business would know what to expect and how to proceed in their operations. If people engaged in this business are to receive a commission then state the commissions definitely on everything so that we will know what to do and what to expect.

CHICAGO, ILL.

There will be **no** market for such securities and no "interest" or possible growth possibilities for such companies. The rule is legally **unconstitutional.**

CINCINNATI, OHIO

It will more or less kill the market. We do not often handle the above type of security, but we do know they need a market and it can't be done often on a 5% mark-up.

BUFFALO, N. Y.

Neglected with a consequent drop (a precipitous drop) in market value regardless of intrinsic value.

CINCINNATI, OHIO

Will restrict distribution and limit markets.

SYRACUSE, N. Y.

Very bad.

CHICAGO, ILL.

It will adversely affect the markets for securities of smaller corporations, as a larger mark-up than 5% is needed to distribute them in competition with the securities of the larger corporations.

BIRMINGHAM, ALA.

I don't believe there will be any market left.

NEWARK, N. J.

Will provide no funds for advertising, overhead and sales expense in obtaining a market for the sale of securities of small corporations. Without a market and the interest of the public in the purchase of securities of small corporations through advertising and personal solicitation the distributions of these securities must go out of business.

PHILADELPHIA, PA.

I am uncompromisingly opposed to the 5% mark-up rule. It will prove ruinous to individuals such as myself.

PORTLAND, MAINE

Actually, I do not believe the 5% rule will have much effect on prices. As you note, we are not members of the NASD so that the expressions of opinion that you request on the other side of the sheet are purely academic with us. It happens that our firm ceased to be a member of the NASD when the head of the firm thought he was going into the armed services, and in the light of the way in which the NASD has harassed its membership during the last two years, we have never seen anything that would cause us to wish to become a member of the organization. It is our belief that our business should ultimately become a profession, and that it should be composed of men of good education, and that under these conditions, it, as a profession, should be just as capable of determining what its compensation should be for services rendered as any other profession. We have also felt that the whole procedure that the NASD has used has been very un-American and that there was only one purpose that could possibly be in mind and that was to drive out the small private dealer.

SOUTH BEND, IND.

A very depressing and limiting effect. Would be impossible for new concerns to finance themselves.

Will We Have An Economic Pearl Harbor After The War?

(Continued from page 2254)

However, two stumbling blocks to furthering reconversion should be removed. The slight amount of materials necessary for making new models and samples should be released to industry. New tools and dies should be started. Cut-backs in the machine tool field have released men for this work. If this work can be started now, we will ease one of the chief bottlenecks in our readjustment program.

The Baruch-Hancock report says: "Reconversion will be quickened and possible unemployment offset proportionately if those industries which have retooling problems in connection with peacetime output are permitted to secure tools in advance of the end of the war. . . . Reasonable quantities of materials that will be wanted for testing new products should be released."

A readjustment policy based on old models of consumer durable goods may hamper the transition from war to peacetime production and lead to unemployment. There may be considerable resistance to these old models if the consumer feels the manufacturer is holding back. The program of reconversion facing the automobile industry does not apply to manufacturers in many other fields and must not be used by them as an excuse to bring out old models.

The public, aware of the magnificent record of industry during the war, wants prompt advantage of the recent advances in skills and technique and the many new materials. While not expecting any of the fantastic fantasies drawn from thin air, it certainly does expect some progress.

However, unless the suggestions in the Baruch-Hancock report are carried out soon, many manufacturers will be forced to delay production of new products. They will have to do this if they have not been allowed materials or tools for the preparation of new models. When war contracts are terminated, it is absolutely necessary to start production quickly in order to maintain employment and increase the flow of civilian goods.

Management has achieved a remarkable record for wartime production, and can produce staggering quantities of goods. It must find the necessary markets for them, and a dynamic selling program must be prepared at once. All the new plants, new models and new materials won't be worth much unless it can move the products.

We must not be misled by a replacement boom, which is apt to be short-lived. The big post-war market will be a discriminating buyer's market. Instead of a wild scramble, the public will exercise its freedom of choice when it has time to spend its wartime earnings. Of course, there will be folks desperately in need of transportation and equipment. They will buy any old model, and along with their rush for nylon stockings, they will cause the first flurry in the market. But replacement demand is not the same as new demand and only affords a chance to get production started. However, this momentum might be carried on with new and better things, and some of the post-war goals might then be realized.

Our post-war markets will be world wide, and as long as Europe needs rebuilding, we shall have little competition. Our men in the armed services stationed in 38 countries and scattered throughout the world are introducing American products to an extent never known before. Russia is inquiring already about the products which American manufacturers can supply after the war.

The 10,800,000 men in the armed services, handling the latest and most efficient equipment, cannot help but have a pronounced effect upon out post-war products and markets. Fellows who were soda jerkers, truck drivers, statisticians and stockbrokers before the war, today are experts in radar, aviation or ordnance. The young pilot handling a Flying Fortress will not be satisfied with inefficent office equipment or farm machinery. The soldier familiar with the Walkie-Talkie will want the latest in radio. The G. I., wearing clothing and shoes which fit him as well as his job in every climate, will expect the same comfort after the war. Men who have had experience with planes expect to enter the various phases of the aviation business after the war and may bring about a mass production of planes.

To get a clue, recall the influence of a much smaller army after the last war. They accounted for the acceptance by men of wrist watches, ready-made clothing, and cigarettes (the three brands that were most popular with the soldiers, namely Camels, Lucky Strikes and Chesterfields, are still the leading brands). According to John Shepherd of "Esquire," they squashed a 23 million dollar stiff-collar business, and changed underwear from the BVD type to shirts and shorts. The service men were introduced to the automobile and brought about the boom in that industry. These changes took place quickly because the armed services offered a chance to sample and test new things. Imagine what this mechanical and scientific war will do to our post-war products and markets!

As always, there's the woman. Mollie the machinist and her friends in the war plants will know whether a vacuum cleaner is well made and looks right. Mrs. Housewife, who hasn't had a maid since the war began, will look for labor-saving, time-saving and automatic features — although she'd prefer the maid. The inconvenience of repairs today, and her unsatisfactory experience with Victory models, have made her critical and will cause her to select products which stand up better. With the elimination of low-priced lines, she has found that higher quality and higher-priced goods are often more economical and better buys. Rationing has caused sampling of new things and is changing habits and tastes.

During the war we have experienced a boom in marriages. In 1942, there were 1,800,000 marriages and two-thirds were war marriages. As many as 40% of these couples have not established homes of their own to date, and when they do, they will want advanced and efficient housing and home furnishings.

Let's look at another angle. In the middle thirties, 85% of all the families in this country had incomes of less than $3,000 per year. Yet this group bought three quarters of all the consumer products of industry, whether automobiles, electrical equipment, home furnishings or food; and then the average family with a yearly income between $2,000 and $3,000 spent four times as much for consumer goods as a family with an income of less than $1,000 spent for these goods.

During the war, several million low-income families—wage earners' families rather than statisticians' — increased their income one thousand dollars, two thousand dollars, or more per year. That means the group constituting the great mass market has more money than ever before for the purchase of consumer goods, but it can't get many of them because of war-time restrictions.

In the post-war period, the incomes of these people may not be as large. Overtime has accounted for some of the war-time increases: overtime in 1943 totaled 12 billion dollars. But these people have accumulated savings. In 1943 alone these savings amounted to 37 billion dollars and, for the four years 1940 through 1943, according to the SEC, they totaled $125,400,000,000, which sounds like a whale of a lot of money to me. Many of these families have a nest egg put away for the first time in their lives, or have earmarked funds for special items. And it is interesting to note that a private in the Army getting $600 a year is just as well off from the saving angle as a family with an income of $3,000 a year. It seems to me that after the war when people have time to spend some of this money, they are going to apply their wartime education and be discriminating in their selection of products.

However, many people do not intend to spend all their money for products. Recently a survey made by the Citizens Union Bank of Louisville, Ky., covered wage earners and found that, after the war, 30% of this group intends to invest their savings in ways that will earn additional profits for them. They expect to buy stocks and bonds or real estate to rent to others. That 30% figure is even more impressive when you realize that only 17% of this group intends to buy new automobiles, and only 29% plans to purchase new refrigerators or other home furnishings after the war. This desire to invest and share indicates a forward-looking and contructive attitude on the part of wage earners.

Our tax and fiscal policies should be designed to meet the needs of this generation. It seems to me there is a comparison between our present policies and some machine tools which have not been redesigned. Over the course of many years, gadgets and accessories have been added and new controls placed out of reach. The machine looks both complex and involved and does not appeal to young workers. Company officials who have grown up with the machine and are accustomed to its appearance hestitate to make any changes. A successful redesigning job simplifies the machine and makes it more efficient. It correlates the parts, eliminiates useless gadgets, and places controls within easy reach. It is a source of pride to the worker and leads to greater productivity.

Along with high levels of employment in the post-war period, there should be rewards for taking risks. It is the expectation of profits which makes the wheels of industry go around, and adequate returns are needed for high peacetime employment. Under our present income tax system there is double taxation—first on the corporation and then on the individual. It is the small stockholder who suffers most, for the same percentage is first taken from his share of the earnings as that taken from the large stockholder's. Without giving the corporate set-up any undue advantage, there should be some way to practically eliminate this corporate tax and pass the earnings on to the stockholder. Management could then plan more efficiently and this may mean price benefits for the consumer, and more money for the worker.

Financing will be needed for new productive facilities to bring increased purchasing power, and investment in existing securities will not bring this about. Balance sheets appear substantial, but under the increased price level there is some question whether corporations have sufficient working capital. However, private industries are going concerns and their balance sheets should not be looked upon by banks and investment companies as if they were about to be liquidated.

The desirable shift to more equity ownership will be slow in coming; most people still prefer income-bearing securities. Millions of workers who are now buying War Bonds every month may want to continue this form of investment after the war. Possibly some new bonds in small denominations can be issued monthly for private financing of public improvements and benefits such as housing and transportation developments. The carrying out of these projects should be done by private industry in keeping with regional plans, but the money invested by the public might be protected by local or State government. In this way, people can not only have their desired form of investment, but participate in the building of better communities, and they will be conscious of the expenditure of their money. Financing of individual homes should be made as simple as buying a car was before the war. The antiquated fees and expenses in the initial stages of purchase should be eliminated.

The shift from war to peacetime production can be made with a minimum amount of friction under adequate preparation. Material should be made available for making models and for experimental purposes. Tools and dies for new products should be started. The desire of the people for better things is symbolic of their desire for a better world. Will they fulfill these desires through some Government agency, or will industry get more and better goods into the hands of a greater number of people; thereby maintaining employment and raising the standard of living? Will we adjust our tax and fiscal policy so that there will be incentive for all?

To meet this challenge requires our full creative energies in peace as well as in war.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request.

Bank Developments During And After The War

(Continued from page 2251)

ate reduction in the monetary stock of gold in this country. Since these tendencies are bound to continue during the war it is almost certain that the ratio will continue to decline.

"When the reserve ratio of the Federal Reserve banks approached the statutory limit of 40% in 1920, it was followed by the adoption of credit restrictive measures by the Reserve authorities and a sharp increase in the discount rates of the Reserve banks, followed in turn by a material decline in prices of high-grade bonds, including Government obligations. Anxiety has been expressed that if the ratio should again approach the statutory limit the consequences will be the same as in 1920.

"There is no similarity between conditions as they exist today and those which prevailed shortly after the end of the last war. At that time the country was in the midst of a wave of speculation and a rapid increase in commodity prices, accompanied by a substantial expansion in the volume of bank loans. The member banks were heavily indebted to the Reserve banks and there was evidence that bank credit was being abused. Credit restrictive measures imposed at that time and particularly the sharp increase in the discount rate were intended to break the speculative forces. But at the present time the adoption of the same credit restrictive measures as in 1920 could not affect the volume of currency in circulation or the earmarking of gold for foreign account. It would merely bring about a rise in interest rates and increase the cost of borrowing by the Government. Since credit restrictive measures could not eliminate the causes which brought about the decline in the reserve ratio their adoption would be not only unnecessary but unwise.

"In all likelihood, therefore, the decline in the ratio will not affect the credit policies of the Reserve authorities. Although there are various measures at the disposal of the monetary authorities to either increase the ratio or to prevent it from declining further, the measures suggested so far are merely palliatives. If the ratio should continue to decline, as in all probability it will, the most effective solution would be for the Congress of the United States to pass legislation which would authorize the Board of Governors of the Federal Reserve System to raise and lower the ratio requirements of the Reserve banks within the range of 20 to 40%. The ratio was of considerable importance at the time when the world at large was on the gold standard, when the currency was freely redeemable into gold, and when the amount of gold held by a country exercised considerable influence on the expansion power of its banking system as well as on money rates. At present the currency of no country of importance is redeemable into gold and the yellow metal is used primarily for the purpose of paying for the excess of imports over exports and for hoarding purposes. For a nation which still holds 21 billion dollars of gold to worry over the decline in the ratio or over a moderate outflow of gold, is, to say the least, highly academic.

Banking Developments After the War

"Banking in the post-war period will be marked by a further increase in the holding of Government securities accompanied by an increase in the volume of bank deposits. It is almost certain that the deficit of the Government will not end with the cessation of hostilities. Furthermore, it is reasonable to assume that a number of corporations which have accumulated a substantial amount of short-term Government obligations will convert them into cash in order to finance the conversion from war to peace production. In all likelihood the securities thus redeemed by corporations will be absorbed by the banks.

"The post-war period should also be marked by a return flow of currency from circulation as well as by an inflow of gold or a release of the yellow metal from earmark. Both these developments will lead to an increase in the volume of deposits as well as of excess reserve balances. Since the banks, particularly in the larger cities, have learned to operate without success reserve balances, it is quite likely that they will use their excess funds to buy short-term Government securities. This will offer the Reserve banks the opportunity to reduce their holdings of short-term Government obligations.

"The economy of the country will be marked by great liquidity at the end of the war. Hence the demand for bank credit cannot be so great as is generally expected. Furthermore, the needs of the Treasury to control the money market will continue to be great. One may, therefore, conclude that money rates will not undergo considerable changes in the post-war period. There is, however, a possibility that the spread between short-term and medium and long-term Government obligations will be somewhat narrowed by a moderate increase in the return on short-term Government obligations.

Banking Legislation

"The post-war period will also witness considerable important legislation dealing with banking and finance in general," Nadler continued. "Efforts will undoubtedly be made to establish financial institutions to finance the capital requirements of small and medium-sized business concerns. Efforts will also be made to increase the banking facilities of the country and there will be a demand to widen branch banking laws. The country will also be confronted with the task of passing legislation dealing with the stabilization of currencies, the establishment of institutions for this purpose, as well as with financing reconstruction of the battle-scarred countries of the world. This legislation will have a abroad effect on the operations of the banks. It is highly desirable that the banks, through their various associations, give these problems careful thought and evolve ways and means of solving them along sound lines.

"The huge public debt and the possibility that the interest service alone thereon may amount to 5 or 6 billion dollars and the fact that about one-third of the total debt may be held by the banks of the country will undoubtedly stimulate agitation for the purpose of relieving the debt burden at the expense of the banks. The fact should not be overlooked that credit is the life blood of a nation and that the banks are the cells through which this life blood flows. Any tinkering with the public debt or any effort to solve it at the expense of the banks or through sleight-of-hand measures, is bound to lead to economic and political disaster.

"There is only one way of solving the public debt burden and that is through increased production, enlarged national income and the practice of economy by all public bodies. The fact, however, that a large portion of the public debt will be held by the commercial banks of the country will make it exceedingly dangerous for them if they should individually or collectively endeavor to increase interest rates, thereby further increasing the debt burden of the country.

"The banks of the country are in a favorable position. They are not confronted with an inventory or conversion problem. Their assets are perhaps sounder and more liquid today than ever before in the history of the nation. They have the resources not merely to finance all the legitimate business needs of the country but to contribute their share in restoring sound international trade and financial conditions throughout the world."

Churchill Sees Need Of World Assembly Of Powers And Controlling Council To Keep Peace

Declares Atlantic Charter Remains Guiding Post

Addressing the House of Commons on May 24 on the British foreign policy, Prime Minister Winston Churchill declared that "we intend to set up a world order and an organization equipped with all necessary attributes of power in order to prevent future wars or the planning of them in advance by restless and ambitious nations." "For this purpose of preventing wars," he said, "there must be a world-controlling council. I am not talking about our purposes, but for the purpose of preventing wars there must be a world council comprising the greatest states which emerge victorious from this war who will be obligated to keep within certain minimum standards armaments for the purpose of preserving peace." Mr. Churchill went on to say:

"There must also be a world assembly of powers whose relation to the world executive or controlling power for the purpose of maintaining peace I am in no position to define. If I did I should be stepping outside the bounds which are proper to us and our allies.

"The establishment of these bodies and their relations with each other can only be settled after the formidable foes we are now facing have been beaten and reduced to complete submission. It would be presumption for any one power to try to prescribe in precise detail exactly what solution should be found. The mere attempt for us to do so and to put forward what is a majority view on this and that might prejudice us in gaining consideration for our arguments when the time comes, and I shall not even attempt to parade the many questions and difficulties which will arise and which are at present in all our minds."

The Prime Minister in his address asserted that the "Atlantic Charter remains the Guide Post," stating in his remarks that "consultations always are proceeding between the three great powers and others, and every effort is being made to explore the future to resolve difficulties and to obtain the greatest measure of common agreement. A few things have already become quite clear and were very prominent at the conference just concluded.

"The first is that we must fight on all together until Germany is forced to capitulate and until Nazidom is extirpated and the Nazi Party is stripped of all continuing power of doing evil. Next is that the Atlantic Charter remains the guiding sign-post, expressing the vast body of opinion among all the powers now fighting together against tyranny.

"The third point is that the Atlantic Charter in no way binds us about the future of Germany. It has no quality of a bargain or contract with our enemy. It was no offer to the Germans to surrender. If it had been an offer, that offer was rejected. But the principle of unconditional surrender which has also been promulgated will be adhered to as far as Nazi Germany and Japan are concerned, and that principle itself wipes away all idea of anything like Mr. Wilson's 14 points being brought up by the Germans after their defeat, claiming they surrendered in consideration of those 14 points."

In part, Mr. Churchill also said:

"It is clear that the Germans will be driven out of Italy by the Allies, but that will happen on moving battlefronts; and what the Germans will do on their way out in the way of destruction to a people they hate and despise, and who they allege have betrayed them—that cannot be imagined or forecast. All I can say is we shall do our utmost to make the ordeal as short and as little destructive as possible. We have great hopes that the city of Rome will be preserved from the struggle of our armies. . . .

"From Italy one turns naturally to Spain, once the most famous empire in the world and down to this day a strong community in a wide land with marked personality and distinguished culture among the nations of Europe. . . .

"I am here today to speak kindly words about Spain. Let me add this hope, that she will be a strong influence for the peace of the Mediterranean after the war. The internal political arrangements in Spain are a matter for Spaniards themselves. It is not for us to meddle in these affairs as a Government."

Other points brought out in his address we note in Associated Press advices from London, May 24:

"He told Commons that the Allies, after giving Turkey $80,000,000 worth of American and British arms 'have suspended the process of trying to exhort Turkey to range herself with the victorious United Powers.' He called Turkey's recent suspension of chrome shipments to the Nazis a 'generous gesture,' but made it clear it would not win her 'a strong position at the peace table which she would have had had she joined the Allies.'

"He proclaimed the British Commonwealth and Empire in complete unity to go on with the Allies 'to beat the enemy as soon as possible.'

"In touching on British and Russian relations, the Prime Minister said it seemed to be the great desire of the peoples of both countries to be friends, and referred to the 'marked departures from conceptions which were held years ago for reasons we can all understand.'

"He reported that peace terms had been offered to Rumania by Russia and described them as 'remarkably generous' in many respects, saying they 'made no suggestions of altering the standards of society in that country.' Similarly, he said, the Soviet had been 'very patient' with Finland.

"As for Greece, where the British have been trying to end internal strife, he reported 'complete unity' was reached at the Lebanon conference and 'all parties will be represtented in the new Greek Government, which will devote itself to formation of a national army, in which all guerrilla bands be incorporated.'

"He told Commons he had received a message from King Peter of Yugoslavia saying the Prime Minister and Cabinet had resigned and a new Cabinet was being formed to assist all active resistance in that country. Mr. Churchill said he understood this meant severance of General Draja Mihailovic, War Minister and Chetnik leader, from the Government.

"Swinging into the delicate subject of French relationships, Mr. Churchill said the reason the United States and Britain have not been able to recognize the National Liberation Committee as the country's provisional government 'is because we are not sure it represents the French nation as the governments of Great Britain, United States and the Soviet represent their countries.'

"He argued that 'we do not wish to commit ourselves at this stage to imposing the government of the French committee upon France, which may fall under our control, without more knowledge than we now possess of the situation in interior France.'

"But he emphasized that 'we shall have no dealings with the Vichy Government or anyone tainted with that association,' and disclosed that with President Roosevelt's approval he had invited General Charles de Gaulle to 'pay us a visit over here in the near future.'"

From the Associated Press we also quote further from the remarks of Mr. Churchill:

"We must undoubtedly in our world structure embody a great deal of all we have gained for the world by the structure and form of the League of Nations. We must arm our world organization and make sure that within the limits assigned to it, it has overwhelming military power.

"We must remember we shall all be hard put to it to gain a living, repair the devastation which has been wrought and to give all that wider life and more comfortable life which is so deeply desired.

"We must respect the thoughts and opinions of others while holding firmly to our own faith and conviction. There must be room in this new great structure of the world for the happiness and prosperity of all, and in the end it must be capable of giving happiness and prosperity even to the guilty and vanquished nations. There must be room within this great world organization for an organism like the British Empire and Commonwealth, as we now call it, and I trust there will be room also for the fraternal association of the British Commonwealth and the United States."

Attractive Situation

Laclede-Christy Clay Products Co. common, which is listed on the St. Louis Stock Exchange, offers an interesting situation, according to a memorandum issued by Herzog & Co., 170 Broadway, New York City. Copies of this memorandum may be obtained from Herzog & Co. upon request.

Attractive Situations

The current situations in Loft Candy Corp., Majestic Radio and Television, and Allen du Mont Laboratories offer attractive possibilities according to a memorandum issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

Interesting Situation

Common stock of Federal Water & Gas offers an attractive situation, according to a memorandum issued by Boenning & Co., 1606 Walnut Street, Philadelphia, Pa. Copies of this interesting memorandum may be had from Boenning & Co. upon request.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 2254)

one; September 1943 is another. And going back to July, 1943 we see the toughest one of all—the 146.41 figure from which they nosedived sixteen points. In order to take care of these levels a lot more volume has to be generated than has been seen for many a long month. What the spark will be that will set it off is anybody's guess. The most popular one is D-Day. Another one is the election.

* * *

Both of the above events, invasion and election, will play a major role in the market trend. But all the pushing and prying in the world won't give us the answer to either. The market taking its cue from the lack of important news is acting accordingly—by doing nothing. For unlike many of us it doesn't have to be doing something every day.

Individual stocks, in the meanwhile, have also had their false starts. But unlike the averages they manage to get through their old highs without too much trouble. But getting through such highs isn't enough. For once they get through the stodginess of the market as a whole takes hold. In a bull market a stock making a new high is usually good for an additional five to seven points, and quickly too. In a market, between hay and grass, as it were, the long term effect of the averages catches up with a stock and knocks it off. So instead of a new move starting in a stock after it has registered a new high we see dullness, frequently followed by a minor reaction.

Currently you have two stocks, Crane at 22½ (now 24½) and National Gypsum at 9¾ (now 10¾). Both have made new highs but neither acts particularly spry now. In the former the stop at 22, and the latter stop of 9½ still applies.

I don't recommend new buys at present because the market itself doesn't show anything. Yes, they look good. But they always look good near a top.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

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Municipal News & Notes

Two large syndicates, including between them most of the important investment banking and dealer firms of the country, submitted bids yesterday for $41,533,000 bonds of the Consumers Public Power District of Nebraska, a municipal entity. A group headed by Smith, Barney & Co. was awarded the issue, naming a combination of coupon rates which figured out to an interest cost basis of about 2.17%. Halsey Stuart & Co., Inc., and associates, offered a tender which represented a basis of about 2.32%. The bonds mature in semi-annual instalments from Jan. 1, 1946, to Jan. 1, 1972. Purpose of the financing is to refund a like amount of presently outstanding district bonds.

Smith, Barney & Co., Blyth & Co., Inc.; The First Boston Corp., Harriman Ripley & Co., Inc., and Lehman Brothers and associate underwriters are making public re-offering of the issue today.

The financing is divided into two issues—$36,324,000 of Consolidated Eastern System bonds and $5,209,000 Western System bonds. Both issues will be dated July 1.

The bonds of both Systems will carry coupons as follows: 3½% for maturities January, 1946, through July, 1949; 2½% for maturities January, 1950, through July, 1961; 2% January, 1962, through July, 1969; 1¾% January, 2¼% for bonds due January, 1972.

All of the bonds due 1946-1954 are reported to have been placed with institutions. The remaining bonds are being publicly re-offered at prices scaled to provide to maturity yields from 1.80% for bonds due January, 1955, to 2.25% for bonds due 1972.

Sale of the new bonds will enable the District to redeem all the presently outstanding bonds of the District, consisting of eight "divisional" issues.

Texas County Bonds Optional Status Analyzed

An analysis of the optional status of Texas county bonds in light of the State Supreme Court's recent decision in the Jefferson County cases (referred to in these columns on May 18) and its earlier rulings in the Cochran County and Bexar County proceedings, is being distributed by B. V. Christie & Co., of Houston. The analysis was prepared for the bond house by Messrs. Vinson, Elkins, Weems & Francis, municipal bond attorneys of Houston.

The memorandum issued by the bond house sets forth the type of county bonds, according to popular name, purpose of issue and statutory authority, which are believed to be callable and non-callable. Space limitations preclude our giving the full text of the memorandum today, it will be given in our issue of Monday, June 5.

Mutual Life Asks Bids On $17,565,000 Municipals

Additional evidence of the imminence of the forthcoming Fifth War Loan drive, which opens June 12, is seen in the announcement yesterday by the Mutual Life Insurance Company of New York, of an offering of $17,565,000 of its holdings of State and municipal bonds. The offering consists of 40 individual lots, on which sealed bids will be received at the company's offices, 34 Nassau St., New York 5, until noon on June 6. Bids will be considered only for the full amount of each lot and the company states that all awards will be made for cash payment in New York funds and delivery will be made in that city on June 13. No good faith deposits will be required of bidders and individual bids must be made on each lot.

Among the blocks of bonds included in the sale are $2,394,000 City of Detroit, $2,000,000 State of Louisiana Highway bonds, $1,800,000 City of Chicago Water Works, $1,000,000 Boston Metropolitan District, $1,000,000 Nashville, Tenn. Electric Revenue bonds, $840,000 State of Illinois Highway bonds, $805,000 City of Los Angeles Electric Plant bonds, $605,000 City of San Francisco and $500,000 State of Tennessee Highway bonds.

The offering is the largest single transaction of its kind ever announced and is being undertaken by the Mutual Life presumably for the purpose of permitting reinvestment of the proceeds in the coming Fifth War Loan offering. Operations of this character have been rather numerous in recent years, particularly when war loan programs are in the offing. They have been proved profitable to both sellers and municipal dealers, the former cashing in on extremely high prices prevailing for tax-exempts and the latter finding them a source of activity not otherwise available because of war-induced restrictions on new State and local borrowing.

The current offering, however, comes at a time when the volume of bonds overhanging the market is rather large as a result of recent large awards. While the largest of these, the $56,000,000 California Toll Bridge refundings were readily placed, there probably remain substantial balances from other issues. In addition, several important undertakings are scheduled to reach the market today, such as the $41,533,000 Consumers Public Power District, Neb., refundings, and the $6,040,000 Chattanooga, Tenn., electric power refundings.

The latter is particularly interesting as it involves the re-refunding of debt which was refunded only six months ago. As in the previous instance, the municipal power board will be required to pay a substantial premium in order to call existing liens.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

DIVIDEND NOTICES

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND NUMBER 33

At a meeting of the Board of Directors held May 29, 1944, a dividend of one dollar ($1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable August 1, 1944, to stockholders of record at the close of business July 5, 1944. Checks will be mailed.

May 29, 1944
W. M. O'CONNOR
Secretary

Exide
BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

175th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable June 30, 1944, to stockholders of record at the close of business on June 9, 1944. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia 32, May 19, 1944

Allied Chemical & Dye Corporation
61 Broadway, New York

May 31, 1944

Allied Chemical & Dye Corporation has declared quarterly dividend No. 93 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable June 20, 1944, to common stockholders of record at the close of business June 10, 1944.

W. C. KING, *Secretary*

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY
New York, May 23, 1944.

The Board of Directors has this day declared a dividend of Two Dollars and Fifty Cents ($2.50) per share, being Dividend No. 91, on the Preferred Capital Stock of this Company, payable August 1, 1944, out of undivided net profits for the year ending June 30, 1944, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 30, 1944.

Dividend checks will be mailed to holders of Preferred Capital Stock who have filed suitable orders therefor at this office.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

ANACONDA COPPER MINING CO.
25 Broadway,
New York 4, N. Y. May 25, 1944.
DIVIDEND NO. 144

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share upon its Capital Stock of the par value of $50 per share, payable June 26, 1944, to holders of such shares of record at the close of business at 3 o'clock P. M., on June 6, 1944.

JAS. DICKSON, Secretary & Treasurer.

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY
DIVIDEND NO. 48

A dividend of twenty cents ($0.20) per share will be paid on June 20, 1944, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business June 10, 1944. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, Secretary.
Boston, May 25, 1944.

Likes Liberty Baking

Liberty Baking Corp. $4 cumulative preferred offers an interesting situation at the present time according to a memorandum issued by Caswell & Co., 120 South La Salle Street, Chicago, Ill. Copies of this memorandum may be had from the firm upon request (send attention of Harold Barclay).

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 153
Common Dividend No. 137

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending June 30, 1944, and a dividend of 20¢ per share on the Common Stock have been declared. Both dividends are payable July 1, 1944, to holders of record June 9, 1944. The stock transfer books will remain open.

J. P. TREADWELL, JR.
May 24, 1944 *Secretary*

CONSOL

The Board of Directors of the
CONSOLIDATION COAL COMPANY
(Incorporated in Delaware)

has this day declared the regular quarterly dividend of 62½ cents per share on the $2.50 Cumulative Preferred Stock, payable on July 1, 1944, to stockholders of record at the close of business on June 17, 1944. Checks will be mailed.

C. E. BEACHLEY,
Secretary-Treasurer

May 23, 1944

COMMERCIAL INVESTMENT TRUST CORPORATION

Common Stock, Dividend

A quarterly dividend of 60 cents per share in cash has been declared on the Common Stock of COMMERCIAL INVESTMENT TRUST CORPORATION, payable July 1, 1944, to stockholders of record at the close of business June 10, 1944. The transfer books will not close. Checks will be mailed.

JOHN I. SNYDER, *Treasurer.*
May 25, 1944.

DU PONT

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *May 15, 1944*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable July 25, 1944, to stockholders of record at the close of business on July 10, 1944; also $1.25 a share, as the second "interim" dividend for 1944, on the outstanding Common Stock, payable June 14, 1944, to stockholders of record at the close of business on May 22, 1944.

W. F. RASKOB, *Secretary*

A. HOLLANDER & SON, INC.
COMMON DIVIDEND

HOLLANDER BLENDED FURS

A dividend of 25c per share on the Common Stock has been declared payable June 15, 1944, to stockholders of record at the close of business on June 5, 1944. Checks will be mailed.

Newark, N. J. **Albert J. Feldman**
May 22, 1944 ***Secretary***

THE UNITED STATES LEATHER CO.

The Board of Directors at a meeting held May 31, 1944, declared the regular quarterly dividend of $1.75 per share on the Prior Preference stock, payable July 1, 1944, to stockholders of record June 10, 1944.

C. CAMERON, *Treasurer.*
New York, May 31, 1944.

The Chesapeake and Ohio Railway Co.

A dividend for the second quarter of 1944 of seventy-five cents per share on $25 par common stock will be paid July 1, 1944, to stockholders of record at close of business June 8, 1944. Transfer books will not close.

H. F. Lohmeyer, Secretary

A Plan For Post-War Employment

(Continued from page 2253)

would minimize the amount of public spending necessary for this purpose.

Specific policies are proposed below to provide stable full employment by:

(1) Removing some of the basic uncertainties which repress the general level of private expenditure and particularly private capital expenditure.

(2) Removing the powerful factors which discriminate against the assumption of risk.

(3) Counteracting some of the fluctuations in private capital expenditures.

(4) Preventing such fluctuations from exerting a cumulative effect upon the economy.

Consideration must first be given to the transition from war to peace, which will fundamentally influence the possibility of attaining stability in the longer run. It must be demonstrated in this transition period that the economy can provide full employment in peace-time and, that the political atmosphere will be conducive to the functioning of private, competitive enterprise. Such a demonstration would create the necessary psychological foundation for the maintenance of stable, high-level private business activity and employment in the future.

The transition period will begin with any substantial decline in munitions production, presumably following the defeat of Germany. The initial danger of unemployment during this period will not be in the inadequacy of total demand. The demands of the government, of producers, of consumers and of foreign purchasers will be very large. Unemployment will be threatened by the difficulty of making the economic rearrangements necessary for a major change in the character of production. For example, although there will be a great demand for refrigerators, producers of refrigerators may be unable to hire workers because their remaining munitions work prevents freeing one complete assembly line, or because their ordinary suppliers of refrigerator components are tied up with war work, or because potential suppliers of a few special-purpose machine tools are otherwise engaged, or because the producers do not have sufficient liquid funds to make necessary plant alterations. Subject to the continuing needs of war production, the following policies should be followed in the transition:

A. Policies to prevent "bottleneck unemployment."

1. Cuts in the munitions production schedules of any contractor should be either small enough to be absorbed by a reduction in working hours or large enough to release an entire plant or other complete productive unit. Cuts which will force the discharge of workers without releasing usable productive facilities should be avoided.

2. Cuts should be made simultaneously in the finished munitions schedules of plants which in peacetime made final assemblies, components and machinery, to prevent the emergence of bottlenecks in the production process.

3. Cuts should be made first in the munitions schedules of plants situated in tight labor areas. This will assist in the completion of the remaining military program. Also, an unusually large proportion of the workers in such areas will be women, the aged or the young, many of whom will withdraw from the labor market.

4. To implement the above three policies, the miltiary procurement agencies should notify the War Production Board and the War Manpower Commission promptly of any schedule cuts (above a minimum size) which are under consideration, listing the contractors involved. The WPB and the WMC should be given an opportunity to make recommendations and to comment upon any proposed distribution of cuts among contractors.

5. Contractors' claims upon termination of war contracts should be promptly and finally settled by negotiation with the contracting agencies.

B. Policies to define the post-war relation of government to business.

1. Goods in government possession should be promptly sold at competitive bidding after sufficient description of the goods to be offered has been made public. This will assist the prevention of inflation during the transition. It will also substitute a clear policy for what might otherwise be a major uncertainty.

2. Subject to existing options, government owned productive facilities not required for military production should be sold to the highest bidder after six months notice. No facility should be sold to a firm which is found to control, directly or indirectly, more than twenty percent of the capacity in the industry in which the facility operates. Resale of facilities acquired from the government to any such firm should be prohibited for a period of years.

3. Disposition of commodities and of facilities should each be centralized in a single agency. Policy in both programs should be formulated by a board representing the procurement and economic policy agencies of the Federal Government.

4. The wartime level of taxation should be retained to prevent a run-away inflation. The reform in the tax structure outlined below should be initiated in the transition period. A high level of taxes will facilitate the abolition of direct government controls of prices and production.

5. Regulation of prices and distribution as typified by the functions of the OPA and WPB should end within one year after the termination of hostilities. Promptness in this respect will greatly influence business interpretation of the political environment in which it is to act. Fiscal and monetary measures should be prepared to restrain inflationary pressures which will develop upon elimination of direct controls.

Even during the transition period beginnings must be made on the development of political and economic institutions which will eliminate the closely related dangers of repeated economic fluctuations and of a continued low average level of economic activity — the dangers of cyclical fluctuations and of secular stagnation. The program to develop such institutions has six basic features:

A. Tax reform.

1. Surtax rates in the highest brackets should be reduced; the averaging of income over a period of years, say five, for computation of income tax should be permitted; the tax-exemption privilege of government bonds should be eliminated. These measures will all encourage the continued assumption of risk. They will reduce the artificial attractiveness of risk-free government bonds to persons who are best able, and otherwise most likely, to assume risk. They will reduce the discrimination against risk-taking which is inherent in steeply rising surtax rates combined with the annual calculation of income for tax purposes.

2. Excise taxes should be abolished, except for a few which are long-established on monopolistically controlled goods (e.g. cigarettes) and the rates of income tax in the middle brackets should be increased. This policy will contribute to increasing and stabilizing expenditure by reducing the tax burden in the lowest income groups, where consumption is large and level in relation to income and by increasing the tax burden in the middle income groups, where savings are relatively larger and where savings do not easily flow into risky investment. Also, by placing chief reliance upon the income tax as a source of revenue, it will add to the automatic flexibility of tax receipts and tax liabilities with fluctuations in the national income.

3. Taxation of corporate profits as stockholders' income should be substituted for the corporate excess profits and income taxes. (This will require allocation of all corporate earnings to stockholders, but not necessarily full distribution.) Such a step would eliminate the present discrimination of the tax system in favor of debt financing as against equity financing and would make the economic structure more willing to assume risks and better able to withstand fluctuations.

4. Existing tax loopholes should be closed to permit the desired revenue to be secured with lower, less repressive tax rates.

B. Present anti-monopoly legislation must be vigorously enforced; the Anti-Trust Division of the Department of Justice should become one of the largest and most active branches of the Federal Government. Additional legislation will be necessary to prevent the development of gigantism by holding companies, interlocking stock ownership and similar means. Drastic reduction of the tariff, which will be more feasible in the immediate post-war period than ever before in this century, will help restore competition in the American market.

The objectives of the anti-monopoly program are threefold.

(1) To prevent the price dislocations and unemployment which result from the monopolistic practice of maintaining prices at the expense of output when prices are declining.

(2) To expand output and employment by stimulating the competitive flow of new capital, new enterprise and new techniques into markets which are now monopolized.

(3) To reduce the need or tendency of government to intervene in production and prices as a means of counteracting monopoly, and thus to reduce the uncertainties and fears which repress private investment.

C. Government budgetary and monetary policy should be directed to stabilizing within narrow limits the movement of some general level of prices, such as the level of wholesale prices. This can be accomplished by operating at a deficit and relaxing credit when necessary to support the price level, and by converse action when necessary to restrain the rise of prices. The deficit should be created by a combination of increased expenditure and reduced taxes; the surplus should be created by the converse methods. It is important to recognize the role of adjusting taxes in this process. Government spending should be confined to functions in which government operation is efficient and clearly preferable to private operation. This is a large sphere — including health and education — but it is not indefinitely expansible.

Elimination of fluctuations in the general level of prices will eliminate the major economic uncertainty which represses expenditure on durable goods and the major factor which magnifies business fluctuations and transmits them cumulatively throughout the economy. A precisely stated guide to budgetary policy is essential to realize the full advantages of eliminating uncertainty and to prevent public spending from expanding to levels which defeat the goal of encouraging private expenditures.

D. The unemployment insurance system should be broadened in coverage, liberalized in benefits and unified on a Federal basis. This will maintain consumers' expenditures when any unemployment appears, and reduce one of the chief uncertainties affecting consumption at all times.

E. The U. S. should support international arrangements for the settlement of short-term balances of payments without precipitating financial crises or necessitating restrictions on the movement of funds. Suh a policy, together with reduction of the tariff, would increase world economic and political stability, promote world trade and stimulate U. S. investment abroad.

F. The basis for the successful operation of a free market economy within a political democracy is popular understanding of the proper and possible relations between free government and free business. The system cannot operate at high levels if the government makes frequent incursions into the market mechanism in pursuit of the temporary or imagined interests of particular groups. The system will not operate at high levels if the government neglects its responsibility to prevent monopoly and to stabilize the general level of prices. The only enduring safeguard against such incursions or such neglect is public alertness, foresight and self-control. The development of such qualities is the great challenge to all who see that the high operation of a free, private, competitive economy is a necessary condition for the existence of political and personal liberties.

Individual Responsibility Alone Can Provide Post-War Jobs

(Continued from page 2252)

ideas, and figures, I venture to come out long enough to suggest a simple answer.

"The first step in securing post-war employment is to get more employers. We are out of balance for we have more employees than we seem to have jobs for. Of course, that mere statement doesn't solve the problem but I hope it points it up for I believe the only answer to this post-war employment problem is to induce men to become employers. I am sure that the Government cannot compel men to become employers and I think it is about time that we made the attempt to lead the natural leaders of men to become employers. We cannot make new employers by coercing them to become such, nor can we induce men to become employers if we are going to coerce present employers.

"No one can know what is required in the way of reasonably full employment for creating the best economic health in the nation, but I think we can all agree that many things have to be done before we can expect reasonably full employment to take hold after we have stopped making war goods. Each will have his own ideas about how to bring this about. In reviewing all of the plans, not only among the contestants but among the thousands who have expressed their views, I think it is becoming entirely clear that the clear trend today is toward private enterprise.

"Many of our young people, certainly all of those under thirty, know of the enterprise system only as a theory. They have been interested for years in new economic theories rather than old economic principles. To those of us who have lived in a free enterprise system we can see it in perspective because of its distance back from where we are. If we look forward we probably can still see it in perspective because of its distance from where we are. It is going to take time and a great deal of effort before the broad idea will gain public understanding and wide public approval. We haven't found the way to describe it in ringing words, but in spite of that it seems clear today that as a nation we are going in that direction — the right direction. The political observers and the essayists and commentators all seem to agree. If the present trend continues the only question is whether we will accept the old proven economic principles soon enough to bring about the results which, in my opinion, can be brought about in no other way. When the young men come back from the war they are going to want the door of opportunity open and they are going to live in the hope of a profit. I think that platform will suit most of us who have not gone to war. I believe we are all going to be interested far more in our liberty than in any plans of a paternal government to solve our problems for us. I hope we have learned to accept the jolts of life if at the same time we realize the great benefits of a release of the power that rests in a free people producing for free consumers.

"In short, I believe that on a basis of individual responsibility alone can American employment be widely spread, and on the basis of the enterprise system alone can national prosperity be restored. I know of nothing else which offers any hope for the post-war America. The boldest and the most daring opening of the door to opportunity alone holds promise for the future. Recognizing that we cannot drive Americans but that they can be led, we are going to have to abandon the habit of mind which induces whole groups to lean upon Washington. We are going to have to reward the individual leadership among those who make what we want and supply it to us at the price we are willing to pay. With all of our efforts to level up for our whole people we are going to have to provide the kind of leadership we need, with the kind of reward such leadership deserves. In the efforts to level up we must be equally careful not to level down. If we persist in leveling down, we will not add new employers and we will not have enough new employment.

"Too much of our time in late years has been taken up in asserting our rights and in fighting for them. Too little has been given to thinking about and defining our responsibilities and our obligations. It always seems so easy for us to regulate the conduct of others and on the basis of my observations over recent years I have no hope of finding the man who can prepare a full plan for self regulation. Since the days of NRA, all codes and attempts at codes have outlined plans for regulating the action of others, but I recall no codes in which industries or groups proposed self regulation, nor have I seen any attempts in Congress on the part of any group to propose statutes which would enlarge or define responsibilities and obligations. I have seen plenty of effort to secure legislation to widen so-called rights. There will be struggles over this problem but if we have good sense we will solve them peacefully. We should see that the underwriting by Government —all the people—of the wishes of all classes of our population will certainly destroy Government itself.

"Having lived through the problems of several small businesses where all of the facts were readily available, where all of the staff were within the influence of my acts, I have felt very modest about the possibility of making good operating plans for these small businesses. When I see the difficulties in the larger companies and larger groups I get very modest about the possibility of accomplishing much, and I get positively frightened when I see some men trying to plan for the whole country — men who have undoubtedly great mental agility but men who have never been able to make even small plans work in a big way.

"Each of us thinks he knows what is best for him, but few of us are wise enough to say what is best for all. Most of us see our immediate benefits clearly and we are inclined to grab them. We do not see clearly the long-time programs for at best a long-time gain seems uncertain and remote. All of us can be depended upon to see what is to our immediate benefit and we can be depended upon to take action to secure it, but so few of us are satisfied to forego for today when that is necessary to reap tomorrow. Now, how is this philosophy of enterprise going to take shape? I can picture hopefully a good job being done by the Congress. Congress alone is responsible and it alone has the authority. Even if it should do too little and too late, I think it can be expected to go in the right direction for that is the way America is going now. In my mind the place for the Congress is on the policy level and not on the operating level. Operations in this field demand decentralization. Unless they are decentralized the plan will not work. If the operations are regimented neither will the plan work. The Congress alone can provide the atmosphere in which our economy can again become dynamic instead of remaining defeatist—where people will be interested in producing national wealth for the benefits which will come to them, where industry will be interested in doing a better job than it has ever done before and where it may get as its profit a part of the savings it has brought to our nation and where it will pay for its mistakes. I know of no other course of action which bears even a remote hope of success in dealing with this problem of post-war employment; in other words, the first need is to get more employers. Let America put its mind to that problem and marshal its courage to carry through with its convictions.

"Nearly every plan which I see these days is giving eloquent lip service to the idea of free enterprise and the open door to opportunity, and likewise nearly all of the same plans embody some element of Federal or State compulsion or some element of State socialism. When I see all of the difficulties in developing a plan I become more convinced than ever that the need of the country is to have each individual accept the responsibility for himself. Long ago I learned that what is everybody's business is nobody's business. In spite of many statements to the contrary I do not believe that government should take on the responsibility of providing jobs. Admittedly it can do so in an emergency, but government never seems to know what is a real emergency, nor when an emergency ends. It can only subject itself to every selfish interest in America and in turn yield to many of the pressures. As long as we as a people are going to think about ourselves as producers or in our professional groups we are going to have pressure groups in government.

"Until we all give major attention to our problems from the point of view of ourselves as consumers where our interests are identical we are not going to get the results we want. We consumers will decide by our acts whether we are going to have reasonably full employment in this country and no pressure group is going to decide it for us. As long as government is going to listen to and yield to pressure groups, and as long as it leaves itself in the position of doing so, the pressure groups are going to survive in American government and in the national economy. In the end the responsibility is going to have to rest on the individual, or the group which he joins, to make the goods or the services which the world wants, and to do this at the price which the world is willing to pay. Until we can accept this philosophy that it is our individual responsibility to make for others or do for others what they want done at the price they are willing to pay, we are not going to have a healthy industry in this country. To sell this idea to our people is going to call for a degree and a character of spiritual leadership and a courage which hasn't arisen as yet. A modern crusade is needed.

"At the end of the war the nation is going to face a definite clear-cut issue. It is going to aim to survive on its choice of low tax rates on high volume, or high taxes and low volume. The first plan may win and the second will surely lose. The first may release enough positive drive to provide reasonably full employment, enough Federal revenue and enough profits for the growth of industry. This ideal can be attained by our thinking about the people as consumers. No business would think of being harsh toward its customers. It wouldn't be good business and it wouldn't be good sense. Yet that is the course which we are forced to follow if we allow government to yield to pressure groups thinking only of their position in the economy as producers. Every man in business knows that there is a price which will bring the largest attainable volume, the greatest employment and the greatest profit. America is going to wind up this war with the greatest productive capacity in the world. Whether or not it is going to be able to compete in world markets is going to depend upon the attitude of mind of our people. If we are determined to produce goods efficiently at low costs we are going to have a great chance, not only in our home markets but also in world markets, with benefits to all—labor and industry and everybody engaged in service, industries and the professions. If we hold up prices or wages beyond the right price, if we don't accept the philosophy that it is our individual job to sell our goods and our services at the price the buyer is willing to pay, we will not last long in our home market nor in world competition.

"I believe America can have an adventure in prosperity. I am encouraged by the buoyant, hopeful attitude as expressed by the contestants for this prize. I wonder upon what they base their confidence. It must be that they are convinced that the America we knew is better than any other part of the world and that what America has done once it can do again. I don't believe we are going to build any complete national plan with all of its operating details. I am hopeful that Congress with its post-war planning committees will be able to find the **proper scope** of government in the field of post-war planning. That is the most important question before our country today — the proper scope of government.

"I do not believe that we have to arrive at a complete restoration of private initiative and a wide opening of the door of opportunity all at once. Too many things in the existing situation will have to be changed to bring that about completely and they will never be done in a hurry. I do believe the spirit of American initiative can be restored if we can see that we are put on the one path to recovery, and if we can see progress being made as the days go by. We learned long ago that confidence exists in business as long as the hope of a profit exists. I think we shall find a widespread restoration of confidence in our people just as long as the hope survives that we are going to continue along the path on which we are now traveling in our thinking.

"After all the plans are presented and all the philosophies are debated, and after all the possible Congressional acts have been taken, there will still remain the responsibility on each one of us to make our own plan for making our own lives successful in the post-war period.

"There will be need for some selling of these philosophies on the part of the self reliant to those who have been inclined to rely upon others, and particularly those who have wished to rely upon government. I look with hope to the accomplishment of this because I believe the men in the services are going to return to this country at the end of the war with a well-developed resourcefulness and a strong self confidence. These men are going to have seen the utter failures of other philosophies and even if they haven't a full understanding of what is meant by the America we knew our enthusiasm will affect them and I believe they are going to aid all to go toward that goal."

Calendar Of New Security Flotations

OFFERINGS

BEATRICE CREAMERY CO. has filed a registration statement for 100,433 shares of common stock ($25 par). Company is initially offering the shares for subscription to common stockholders. Holders of record May 19 are given right to subscribe for one additional share for each four shares held at $27.50 per share. Rights expire June 1. Proceeds, together with other treasury funds, will be used to redeem on Aug. 1, 1944 approximately 29,788 shares (33⅓%) of company's outstanding $4.25 cumulative preferred stock at $105.50 per share. Glore, Forgan & Co., are principal underwriters. Filed April 29, 1944. Details in "Chronicle," May 4.

PLOMB TOOL CO.—$600,000 10-year 5% convertible debentures due Jan. 1, 1954. Proceeds will be used to redeem first mortgage bonds, reimbursement of company for funds used to redeem preferred shares and reduction in V-loan. Offered May 30 at 100 and interest by Wyeth & Co., Pacific Co. of Calif. and Bateman, Eichler & Co. Filed Mar. 29, 1944. Details in "Chronicle," April 6, 1944.

RADIO - KEITH - ORPHEUM CORP. has filed a registration statement for 57,337 shares of 6% preferred stock, cumulative, $100 par, convertible on or before April 11, 1947, and 458,696 shares of common stock, $1 par, reserved for issuance upon the conversion of the 6% preferred stock registered. The preferred shares are issued and outstanding and owned by Atlas Corp. and do not represent new financing by the company. Lehman Brothers and Goldman, Sachs & Co. are principal underwriters. Filed May 17, 1944. Details in "Chronicle," May 25.

Offered—June 1, 1944, by Lehman Bros. and associates at $91.25 per share.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

TUESDAY, JUNE 6

SUNRAY OIL CORP. has filed a registration statement for $13,000,000 sinking fund debentures. The interest rate, maturity date, redemption provisions and price to public will be filed by amendment. The proceeds of the new financing is to provide the funds required for the consummation of the proposed merger of Darby Petroleum Corp., of Tulsa, Okla., into Sunray Oil Corp., and to retire mortgage indebtedness. Eastman, Dillon & Co., principal underwriter. Filed May 18, 1944. Details in "Chronicle," May 25.

WEDNESDAY, JUNE 7

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par $100. Price to the public $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

ALLEGHANY CORP. has filed a registration statement for $30,000,000 3¼% secured convertible notes due April 15, 1954. Net proceeds, together with other funds of company, will be used for the redemption of all of the outstanding bonds of Alleghany within 60 days from the date of issuance of the notes, including $21,661,000 of 20-year collateral trust convertible 5s due June 1, 1949, and $19,137,000 of 20-year collateral trust convertible 5s due April 1, 1950. The notes are to be convertible into shares of the pledged common stock of the Chesapeake & Ohio Railway on a basis to be filed by amendment (or into substituted units of collateral as provided in the indenture.) Price to public and names of underwriters to be supplied by amendment. Filed May 19, 1944. Details in "Chronicle," May 25.

THURSDAY, JUNE 8

R. B. SEMLER, INC., has filed a registration statement for 101,300 shares of common stock, par $1. Of the total 15,000 represent stock to be sold by the company and the remaining 86,300 shares to be sold by present stockholders. Net proceeds from sale of 15,000 shares by the company are to be used for general corporate purposes. F. Eberstadt & Co., heads the list of underwriters. Price to public to be supplied by amendment. Filed May 20, 1944. Details in "Chronicle," May 25.

THE DRACKETT CO. filed a registration statement ofr $1,500,000 5% 15-year sinking fund debentures due June 1, 1959, and 85,000 shares of common stock, par $1 per share.

Address — 5020 Spring Grove Avenue, Cincinnati, Ohio.

Business—Chemical manufacturing.

Offering—Price of the debentures to the public is given as 100 and of the common stock $8 per share.

Proceeds—Payment of serial promissory notes $411,045, plant and equipment $430,000, to reimburse treasury for improvements made $110,000 and for general corporate purposes $1,033,955.

Underwriting—Van Alstyne, Noel & Co., New York, is named principal underwriter.

Registration Statement No. 2-5381. Form S-1. (5-20-44).

SUNDAY, JUNE 11

NATIONAL AIRLINES, INC., filed a registration statement for 113,333⅓ shares of common stock, par $1 per share.

Address—Municipal Airport, Jacksonville, Fla.

Business — Transportation of persons, property and mail by airplane.

Offering—Price to be filed by amendment.

Proceeds—Will be available for general corporate purposes pending specific application of such funds.

Underwriting — Lehman Brothers is named principal underwriter.

Registration Statement No. 2-5382. Form S-1. (5-23-44).

MORRISON-KNUDSEN CO., INC., has filed a registration statement for $300,000 series K 5% preferred stock and $200,000 series L 6% preferred stock, both $100 par value.

Address—319 Broadway, Boise, Idaho.

Business—Construction business.

Offering—Securities will be offered by Morrison-Knudsen Co., Inc., at par. Any part of the issue not sold by company officials will be sold through Wegener & Daly, Inc., Boise, Idaho as underwriters.

Registration Statement No. 2-5384. Form S-1. (5-23-44).

TUESDAY, JUNE 13

HAYES MANUFACTURING CO. has registration 100,000 shares of common stock, $2 par value.

Address — Muskegon and Seventh Avenues, Grand Rapids, Mich.

Business—Sheet metal stampings, etc.

Offering—To be supplied by amendment.

Proceeds—Net proceeds will be received by Porter Associates, Inc. The moneys paid to the corporation by Porter Associates, Inc., on account of the purchase of said shares will, in the estimated amount of $187,500, reimburse the corporation in part for the $200,000 expended by it in purchasing such shares.

Underwriting—Porter Associates, Inc.

Registration Statement No. 2-5385. Form A-2. (5-25-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN BAKERIES CO.—13,000 shrs. of class B stock (no par). The stock offered for sale is that of L. A. Cushman and Martha Bryan Allen Cushman as trustees of L. A. Cushman Trust. Names of underwriters and price to public by amendments. Filed March 29, 1944. Details in "Chronicle," April 6, 1944.

BEN-HUR PRODUCTS, INC. — $300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion). Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 20, 1943. Details in "Chronicle," March 9, 1944.

BURRY BISCUIT CORPORATION has filed a registration statement for 200,000 shares of common stock, par value 12½ cents. Proceeds will be used to augment working capital and for other corporate purposes. Van Alstyne, Noel & Co., and Carlton M. Higbie Corp. are named representatives of the underwriters. Filed May 11, 1944. Details in "Chronicle," May 18, 1944.

CARPENTER PAPER CO.—15,000 shares of common stock (par $1). Price to public $30 per share. 1,717 shares are being currently offered to a group of officers and employees at $21.50 per share under a separate registration and prospectus. Net proceeds ($446,000) are to be used for working capital. Kirkpatrick-Pettis Co. are underwriters. Filed March 30, 1944. Details in "Chronicle," April 6, 1944.

DALLAS RAILWAY & TERMINAL COMPANY has filed a registration statement for $3,000,000 first mortgage serial bonds dated June 1, 1944 due each June 1 from 1945 to 1959, inclusive. Proceds from the sale of the bonds, together with such additional cash from its general funds as may be necessary, will be used to redeem $3,567,700 first mortgage gold bonds, 6% series due 1951, at 102 and interest. The bonds are to be offered for sale under the competitive bidding requirements of the Securities and Exchange Rule U-50. Names of underwriters, interest rate and price to the public will be supplied by amendment. Filed May 3, 1944. Details in "Chronicle," May 11, 1944.

Bids for the purchase of the bonds will be received by the company at 2 Rector St., New York City, until June 5, 12 noon, the bidders to specify the interest rate.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for $1,500,000 first mortgage sinking fund bonds 4% series C, due April 1, 1959. Central Republic Co., Inc., Chicago, underwriter. Price 107 exclusive of accrued interest from April 1, 1944. Proceeds for construction purposes. Details in "Chronicle," April 27, 1944.

KANSAS - NEBRASKA NATURAL GAS CO., INC., has filed a registration statement for 2,000 shares of $5 cumulative preferred stock (no par) and 58,636 shares of common stock ($5 par). Holders of common stock of record May 12 are offered the right to purchase one share of common at $6.50 a share for each four shares held. Rights expire May 26, 1944. Unsubscribed shares will be taken up by the underwriters at $6.50 a share and offered to the public at $7 per share. Offering price of the preferred to the public is $105 a share. Proceeds from sale of stock will be used to defray costs of construction expenditures. Underwriters for stock are First Trust Co. of Lincoln, Neb.; Cruttenden & Co., Chicago; Beecroft, Cole & Co., Topeka; Harold E. Wood & Co., St. Paul; Rauscher, Pierce & Co., Dallas; United Trust Co. of Abilene, Kansas, and Frank & Belden, Inc., Minneapolis. Details in "Chronicle," April 27, 1944.

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par). Company is offering to holders of its outstanding 7% cumulative preferred stock, series A, and 6% cumulative preferred stock, series B, the privilege of exchanging their old stock for new preferred on a share for share basis, with a cash adjustment amounting to $7.83⅓ a share on the 7% stock and $2.66⅔ a share on the 6% preferred. The exchange offer will expire at noon on May 20. Underwriters are Milwaukee Co., 5,750 shares; Wisconsin Co., 4,750; Morris F. Fox & Co., 1,500; Loewi & Co., 1,500; Bingham, Sheldon & Co., 1,000 all of Milwaukee, and A. C. Tarras & Co., Winona, Minn., 500. Filed April 25, 1944. Details in "Chronicle," May 4.

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share. Company plans to issue the 220,078 shares of 5% preferred stock to effect the retirement by exchange or redemption of an equal number of shares of its 7%, 6% and 5½% preferred stock, the exchange to be on a share for share basis plus a cash payment to be filed by amendment. Stone & Webster and Blodget, Inc., and Harriman Ripley & Co., Inc., New York, are principal underwriters Details in "Chronicle" April 27, 1944.

Exemption from competitive bidding rule denied by SEC in opinion issued May 5, 1944. Company on May 12 filed an amendment with the SEC proposing invitation of competitive bidding on the stock under rule U-50.

PUBLIC SERVICE CO. OF OKLA.—$1,500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3½% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

SPRAGUE-WARNER-KENNEY CORP. — 15,000 shares of 6% cumulative preferred stock (par $100). Proceeds will be used for the acquisition of a maximum of 8,649 shares of Western Grocer Co. 7% preferred in exchange of shares and $575,000 will be applied to retirement of 5,750 shares of 6% cumulative preferred of Sprague at $100 per share. Company also plans to issue $3,250,000 face amount of installment promissory notes and use proceeds as additional working capital. A. C. Allyn & Co., Inc., underwriter. Filed March 16, 1944. Details in "Chronicle," March 23, 1944.

STERLING ENGINE CO. has filed a registration statement for 304,075 shares of common stock, of which 23,225 are being issued by the company through underwriters and 180,850 shares by three present stockholders. Offering price to public on 204.075 shares is $3.75 per share. An additional 100,000 shares is reserved against the exercise of warrants to purchase 100,000 shares of common, at $4.50 per share, prior to three years from and after the effective date of registration statement. Proceeds for working capital. Burr & Co., New York are principal underwriters. Filed April 24, 1944. Details in "Chronicle," May 4.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

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"Our Reporter On Governments"

By DONALD MacKINNON

(Mr. MacKinnon has been kind enough to act as guest writer this week. As is true of other contributors, the opinions expressed by Mr. MacKinnon are his own and do not necessarily reflect the views of the Chronicle.—Editor.)

The Mutual Life Insurance Company of New York yesterday disclosed that sealed bids had been asked for a total of about $17,565,000 principal amount of various municipal and other fully exempt bonds. . . . With the Fifth War Loan opening June 12, the question naturally arises concerning the possibility of any substantial sales of partially exempt Treasuries by investors who do not need partially exempt income, and who would reinvest the proceeds of any such sales in fully taxable Treasuries available by subscription at par during the Fifth War Loan. . . .

The following tabulation reveals the amount of sales and purchases of certain partially exempts from Dec. 31, 1942 through Feb. 29, 1944. Please remember that under column "C" and with reference to savings banks, the figures involved exclude certain banks which accept demand deposits, and which have been classified as commercial banks. . . . The change from "mutual savings banks" to "savings banks"' was made in the Treasury survey for Nov. 30, 1943. . . .

SUMMARY DATA FROM TREASURY SURVEY OF OWNERSHIP OF CERTAIN SECURITIES ISSUED BY THE UNITED STATES—(000,000 omitted)

		(A)	(B)		(C)		(D)		(E)		(F)		(G)	
As of Dec. 31, 1942														
			*5,751		*490		*199		*557					
2¼% Jun.	1954-56	681	399		11		91		34		51		95	
2⅞% Mar.	1955-60	2,611	471		117		463		112		445		1,003	
2¾% Sep.	1956-59	982	320		41		187		65		184		185	
2¾% Jun.	1958-63	919	237		43		332		78		92		137	
2¾% Dec.	1960-65	1,485	355		38		535		125		147		285	
As of Dec. 31, 1943														
			*6,239		*510		*209		*546					
2¼% Jun.	1954-56	681	446	+ 47	11	NC	48	— 43	36	+ 2	50	— 1	89	— 6
2⅞% Mar.	1955-60	2,611	795	—324	105	—12	252	—211	126	+14	361	—84	973	—30
2¾% Sep.	1956-59	982	422	+102	32	— 9	156	— 31	69	+ 4	128	—56	175	—10
2¾% Jun.	1958-63	919	368	+131	41	— 2	250	— 82	68	—10	69	—23	123	—14
2¾% Dec.	1960-65	1,485	622	+267	88	+50	243	—292	107	—18	108	—39	317	+32
As of Jan. 31, 1943														
			*6,290		*511		*209		*545					
2¼% Jun.	1954-56	681	468	+ 22	10	— 1	48	NC	36	NC	44	— 6	75	—14
2⅞% Mar.	1955-60	2,611	832	+ 37	106	+ 1	229	— 23	131	+ 5	362	+ 1	952	—21
2¾% Sep.	1956-59	982	440	+ 18	35	+ 3	151	+ 5	70	+ 1	128	NC	159	—16
2¾% Jun.	1958-63	919	385	+ 17	42	+ 1	240	— 10	68	NC	69	NC	114	— 9
2¾% Dec.	1960-65	1,485	645	+ 23	86	— 2	226	— 17	105	— 2	109	+ 1	315	— 2
As of Feb. 29, 1944														
			*6,398		*513		*209		*545					
2¼% Jun.	1954-56	681	466	— 2	9	— 1	47	— 1	36	NC	44	NC	78	+ 3
2⅞% Mar.	1955-60	2,611	853	+ 21	100	— 6	221	— 8	131	NC	362	NC	944	— 8
2¾% Sep.	1956-59	982	428	— 12	42	+ 7	148	— 3	71	+ 1	128	NC	166	+ 7
2¾% Jun.	1958-63	919	396	+ 11	41	— 1	221	— 19	73	+ 5	69	NC	118	+ 4
2¾% Dec.	1960-65	1,485	684	+ 39	61	—25	211	— 15	103	— 2	109	NC	318	+ 3

(A) Total amount outstanding. (B) Held by commercial banks. (C) Held by savings banks. (D) Held by life insurance companies. (E) Held by fire, casualty, and marine insurance companies. (F) Held by U. S. Government agencies and trust funds, and Federal Reserve Banks. (G) Held by all other investors. *Number of institutions in each classification.

Thus, commercial banks bought about $1,045,000,000 par amount of the five largest partially exempt Treasuries sold by all other investors, during the periods specified. . . . It is reasonable to expect additional purchases by commercial banks as time goes on, because increasing numbers of such institutions are subject to higher tax liabilities, and need more partially exempt Treasuries or other fully exempt obligations. . . .

It is just as reasonable to anticipate some selling of partially exempts by mutual institutions either prior to or during the Fifth War Loan. . . . One recalls that such issues declined slightly during the second week of the Fourth War Loan, and then, starting about Feb. 1, staged an advance which carried the longest issues up at least a full point from their previously established lows of the year. . . . However, we do not believe that sales will develop to the point where markets will be affected to any important degree. . . . Weighing most of the probabilities involved, we believe that the prices of the longest partially exempts will be higher immediately following the Fifth War Loan than is the case to-day.

Post-War Employment Must Provide For 45% Increase In Labor Forces: Henry A. Thies

(Continued from page 2253)

should insist that it be freed from unreasonable laws, rules, and regulations; capricious, contradictory, and incompetent administration.

"The Wagner Labor Relations Act has proved to be one-sided. It puts management in a straitjacket and prevents it from functioning normally. It should be revised so that its provisions will be fair and reasonable to industry and labor alike.

"The tendency to create bureaus, commissions, government owned corporations, and authorities; some by legislation, others by executive order as a solution for all our ills, and the clothing of bureaucrats with legislative, administrative, and judicial powers has gone too far. We have become a nation ruled by man, instead of by law. The trend should be reversed, and the legislative and judicial powers should be taken away, leaving only the administrative powers.

"In time of war it is necessary to give government essential powers of control. It is incumbent upon the people to be ever watchful that these powers are not used for purposes other than promotion of the war. Congress, in granting many of the war-time powers, has provided that they are to lapse at the end of the war. It seems possible that the present world conflict will not end like other wars in the past. Therefore, it is all the more important that the people should take back the powers which they have temporarily released, at the earliest possible moment.

"As an illustration of the magnitude of the difficulties of the problem of finding work for discharged soldiers, redistributing war workers and finding employment for the coming generations, let us consider a comparison of the facts of the last pre-war year, 1939, with recent facts and figures, and a reasonable projection of the latter.

"The average employment in 1939 was approximaetly 45 million. This includes labor engaged in agriculture, forestry, fishing, and so on—approximately 11 million, leaving 34 million employed in all other pursuits, which for the purpose of this discussion may be called 'industrial' employment.

"The high in 1943 employment, including the armed forces, was about 64 million. Allowing 12 million for agriculture, etc., this leaves us with a total of 52 million engaged in industrial employment. These latter figures include about 16 million women employed. In 1940, 11 million women were employed.

"Proceeding on the reasonable assumption that after the war women labor forces will be smaller, the following calculation and estimate would result:

1939 Average

Total employment—45 million
Less agriculture, etc.—11 million
Total industrial employment — 34 million

1943 High

Total employment — 64 million
Less agriculture, etc. — 12 million
Total industrial employment — 52 million

Post-War Estimate

1943 Industrial employment—52 million
Decline in women employed—2½ million
Post-war labor, industrial forces —49½ million

Estimate industrial employables over 1939—15½ million

Excess in percentage over 1939 employment—45.5%

"It should be further considered that the estimated excess over 1939 is probably an under-statement, for since that time productivity per unit of labor has materially increased. Consequently, the 1939 national production can now be duplicated with a smaller number of employed. Furthermore, in estimating the post-war labor forces, the element of yearly increment in labor population was not allowed for. This was done purposely to compensate for a possible standing army after the war. The labor increment of one year would possibly be sufficient to produce such compensation. At any rate, after the possible standing army has once been compensated for, the yearly increment occurring thereafter would appear on the labor market and compete for jobs.

"All in all, it is obvious that the foregoing estimate of the number of jobs to be provided after the war, and expressed as ratio to actual employment in 1939, is not likely to be an over-statement."

Stock Exchange Rules On Carrying Govt. Securities On Margin

In conformance with the spirit of the statement issued by the Secretary of the Treasury announcing the Fifth War Loan Drive, the New York Stock Exchange has ruled that prior to Aug. 1, 1944, no member firm may carry on margin securities offered during the Fifth War Loan Drive unless the customer

(1) agrees to pay off the debit balance against such securities within a period of six months or less, and

(2) does not contemplate selling the securities prior to making such full payment.

The spirit of this ruling applies also to speculative purchases of members, partners and member firms.

Inquiries regarding this circular should be directed to the Department of Member Firms, Hanover 2-4200, Extension 272.

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The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

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The Financial Situation

Late last year when official pronouncements concerning the well-advertised meetings at Cairo and Teheran were handed to a rather puzzled public, we ventured to suggest that "whatever was done at either or both of these gatherings, the observer obtains the impression that what used to be termed 'realpolitik,' rather than the vague and meaningless Atlantic Charter, was the guiding spirit both in Cairo and Teheran." Recent developments have amply verified this impression. As we observed last December, this evolution of the general spirit of our international dealings does not of itself disturb us. On the contrary we again confess to a feeling of somewhat improved confidence as a result of this injection of realism into the picture.

It begins definitely to appear, however, that the trend of negotiations, if such they can be termed, among the so-called "Big Three" affords ground for real uneasiness. The cause of this disquiet is not that discussion has been brought down to earth, but is the obvious danger that we shall presently find ourselves not only meddling with matters that are no concern of ours, but shall in a sense be undertaking to play a decisive and quite probably a very costly role in shaping the course of events in many parts of the world where we have not the shadow of a real or direct interest. Incredible as it may appear, much that has come to light of late strongly suggests that the Administration not only is determined that we shall throw aside our historical aloofness to distant questions and alien quarrels, but is planning to fix upon us the duty and the responsibility in substantial part of deciding many of these eternally arising problems of conflicting imperialisms!

The "Great Design"

It is true, of course, that one would search the official

(Continued on page 2284)

Appraisal Of Congressional Transportation Policies

By KENNETH F. BURGESS*

Of Sidley, McPherson, Austin & Burgess, Chicago

Railroad Attorney Advocates (1) The Regulation Of All Forms Of Transportation By Single Federal Body; (2) That Common Carriers Be Permitted To Provide All Forms Of Transportation; And (3) That Congressional Policy Should Be Based Upon Public Regulation Rather Than Compulsory Competition

Congressional policy regarding domestic transportation is set forth in a long series of Federal statutes. With little variation, their central theme is that the public interest requires that adequate transportation be provided by private corporations whose rates shall be regulated by administrative agencies of government.[1] It has also been the policy of Congress to promote new forms of transportation by government aids during their development period and, to some extent, to protect particular forms against threatened discontinuance where large economic interests might be jeopardized.[2]

Kenneth F. Burgess

These rather trite statements of Congressional policy are not as simple in their application as in their recital. For the past quarter century there has been almost a revolution in the whole machinery of transportation. Railroads and waterways no longer are the sole agencies. Today the highways, the pipe lines and the airways provide either competitive substitutes or additional service, with the promise for tomorrow of their added importance, especially in the case of the airways.[3] Whereas formerly transportation was almost entirely common carrier service, a vast amount of highly competitive service is now rendered by contract carriers and, at least as important, perhaps an even greater amount of transportation service is performed for themselves by the owners of the commodities transported. These latter developments have been associated particularly with the motor carrier, although the waterways and the pipe lines have also afforded an opportunity for the contract carrier and for transportation by the owner of the goods.

A Decade of Public Investigations of Transportation Problems

Transportation not only vitally affects the economic life of the nation, but in its turn is itself profoundly affected by economic conditions. In the past twenty years, since the competition of the highway vehicle began to make substantial inroads upon railroad revenues, and especially since the depression of the thirties brought disaster to all forms of transportation, we have had a succession of investigations of transportation conditions, past, present and future. The pattern was laid in 1933 by the National Transportation Committee which was set up by a large number of fiduciary and philanthropic institutions to investigate and report on "The Railroad Problem, as an Integral but the Most Urgent Part of the Entire Transportation Problem." It consisted of Hon. Calvin Coolidge and Hon. Alfred E. Smith and Messrs. Bernard Baruch, Clark Howell and Alexander Legge. In its report it recommended, among other things: (1) regional railroad consolidations and the elimination of obsolete lines and equipment; (2) that railroads be permitted to own and operate competing transportation services; (3) restriction of government aid to competing forms of transportation, and the discontinuance of the Federal Barge Lines; (4) federal regulation of motor carriers; (5) encouragement of the airways during their development period; and (6) repeal of the recapture clause

Footnotes appear at end of article.

(Continued on page 2288)

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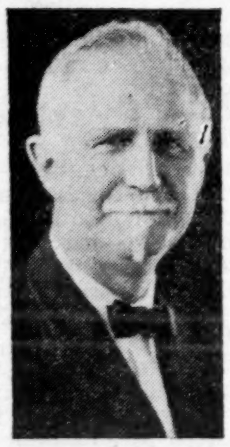
*An address made by Mr. Burgess before the Institute of Transportation at the Hotel Waldorf-Astoria, New York, May 23, 1944.

Outlook For Rubber

Roger W. Babson Says Situation Improving

BABSON PARK, MASS.—From a civilian point of view the tire situation is currently more critical than the gasoline supply. The production of synthetic rubber will about equal, by the end of this year, our inventory of natural crude rubber, namely about 600,000 tons, which was on hand at the end of 1941. Meanwhile all natural rubber and most of the synthetic must go for military purposes. The over-all rubber supply is now particularly acute! I do, however, believe that the end of our rubber shortage is in sight. But do not think that tires for civilians are just around the corner.



Roger W. Babson

Natural Rubber Data

With all pre-Pearl Harbor sources of natural rubber shut off, our major supply now comes from the Island of Ceylon. In addition, some is coming out of the revived Amazon River Valley district. We also are picking up a little Mexican Guayule and perhaps a small amount of natural rubber from Brazil and from Africa. However, with the exception of Ceylon, the great Middle East sources are naturally out until we lick Japan.

Our consumption of natural rubber, and remember that it is all for the military, is estimated at 150,000 tons for 1944. This compares with an all purpose use of natural in 1943 amounting to 340,000 tons and in 1942 to 370,000 tons. Our stock pile at the beginning of the year was about 140,000 tons with receipts estimated at 80,000 tons. We will cut our inventory in half by the end of 1944.

What About Synthetic?

The production of synthetic rubber was slow in getting under way but increased in 1943 from a January production of 600 tons to a December production of 39,000 tons. The entire year's work produced under 185,000 tons or about one-half our total 1942 consumption. Synthetic production capacity has expended rapidly during 1944 and for March, 1944, reached an annual output rate of 670,000 tons. As plants are exceeding their rated capacity, output should progressively rise. I estimate for the full year that about 870,000 tons will be made.

Who Will Get Our Rubber?

Our 1944 American rubber consumption should look something like this:

Natural Crude	150,000
Reclaimed	250,000
Synthetic	700,000
Tons	1,100,000

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*Not available this week.

From Washington Ahead Of The News

By CARLISLE BARGERON

If you want to see what a good job an entrenched bureaucrat can do at applying the heat, or, indeed, how the minds of people can be dulled, just consider the predicament of Senator Kenneth McKellar of Tennessee, in his fight against the power of Dave Lilenthal, boss of the TVA. McKellar has been trying for two years to bring Dave and his colossus under the control of Congress; namely, with an amendment requiring that all Government employes receiving $4,500 a year and more, be confirmed by the Senate, but more specifically as applied to TVA, a requirement that it come to Congress for its funds every year just like other Government agencies. This year McKellar was apparently making progress towards accomplishing his enterprise when the wrath of the heavens broke upon him.

We had naturally expected such a downpour from the so-called Liberal, and the Leftist press, but some of the country's most conservative newspapers have joined in the chorus: "Save the TVA from McKellar." One of our most sacred institutions, we are being told by the best families, is endangered by the patronage thirsty McKellar, a man, incidentally, who is 75 years old.

Here is something, the TVA, which is supposed to be run as a business proposition and to let Congress get in on its appointments or its finances, would be a shocking absurdity which no efficient Democracy should permit. Because of this, you would be surprised at the tons of literature that have been heaped upon the members of Congress, from all over the country. As we recall it, this worked up agitation, when it was done by the "power trust" was considered something very reprehensible, indeed. Now that the Bureaucrats, the Commies, the CIO Political Action Committee; in brief, the Party Line, is doing it, it is all in the interest of the public weal and something very much to be desired.

Far be it from us to disagree with the motives which are being attributed to the venerable Senator. He would be the last one in the world to claim they are pure. He has long been an unblushing exponent of the spoils system. But in this particular instance, he isn't trying to get control of the TVA patronage. He is trying to keep Dave Lilenthal from getting control of him.

Dave, running free and loose with this tremendous project, has simply come to be such a powerful figure that McKellar is afraid of him and wants to clip his wings. The thing that amazes us is that the Conservatives, those folk who have looked with terror at the trend towards socialism, fascism, communism, whatever you want to call it in this country—State control—do not share some of his concern, instead of

(Continued on page 2291)

The Meaning Of Freedom

By WILLARD H. DOW*
President, Dow Chemical Company

Distinguished Chemist Contends That Freedom Is "Not Dependent On Government," But On The Individual—Post-War Planning Requires No Departure From The Past Since "The United States Is Not A Failure"—Condemns Gradual Easing Out Of Economic Controls And Maintains That We Shall Have To Decide Whether "We Shall Have A Government Of Our Own Choosing"

Everyone, everywhere is trying to look into the future. The world about us is being torn into shreds and we do not know how or by whom it may be reshaped. Countless millions are longing for what they call security and seem willing to pay any price for any package labeled security. The sands of man's belief in himself as a being created in the image of God are running out. Men and women are trying to escape today by dreaming of tomorrow. Tonight I shall not talk about post-war planning or post-war hoping. Instead, I am going to ask you to explore with me the simple elements on which we of America have founded our lives, to the end of discovering whether or not, in much of our planning, we have not overlooked that one element without which our plans will be futile. I am going to ask you to consider freedom and what it means. And I am also going to suggest to those who think in such terms that freedom also has a cash value. But let us think in terms of the dignity of man and not of messes of pottage.

Dr. Willard H. Dow

Let us be high-brow in order to see if in being low-brow—call it practical—we are not in danger of missing the very thing that we are trying to get. To be concrete. How many of us are really willing to accept the challenge of individual responsibility and make our own futures?

How many of us, I wonder, are watching for a chance to break out of the lockstep of thought in which we as a people are now marching and to do a little walking at our own gait? And how many of us are just watchfully waiting for the line to break of itself, or, better yet, to be broken by someone we elect or select for that purpose? In other words, how many of us have the burning passion to step out for freedom? And how many of us are beginning to think of freedom as something we would very much like to have given to us? There is a whale of a difference between the two approaches.

Freedom is not a condition of life. It is the absence of a condition of life. The moment we think of it as a condition, we recognize—no matter what we may say to the contrary—a superpower which can tell us not only what is and what is not freedom, but also just how and why we must like it. I am reminded of that marshal of Napoleon's who, entering a captured town, summoned the citizens to the market-place. "My friends," he declared, "I bring you the perfect freedom. But be prudent. I shall shoot the first man who stirs."

Take the slogan "free enterprise." Everyone seems to have gone overboard for free enterprise. But it appears that the securing of free enterprise is a very complicated matter, and I should hate to be given the task of reducing some of the prescriptions I read to an algebraic formula. "Free enterprise," if it is to be anything but a name, is not a permitted way of business. It arises out of an absence of a permitted way of business.

We seem to be forgetting that a government cannot grant freedom of religion or of speech or of enterprise. When we speak of granting or receiving freedom, we exactly reverse the processes of thought that moved those great men, the Founding Fathers, to evolve for themselves and their posterity—that is, for us—the Constitution and the Bill of Rights. We of America never wrung a Magna Carta from a king. Our forefathers fought and gained the right to think and act for themselves. The Declaration of Independence was a living, fighting thing and not just a nice resolution casually adopted at a convention. We did not derive our freedom from any government. On the contrary, we set up a government and lodged with it only such small parts of our freedom as we thought necessary for the preservation of a reasonable order. Our wise fathers were so fearful that even these little trusteeships of freedom might be abused, that they delegated supreme power to no man and to no group of men, in the fervent hope that no government could ever be established as a thing of itself and apart from the people.

We today, without thought of our words, speak of the "Government" or of "Washington" as a ruling power, and there are many who would propitiate that power in much the way that the courtiers of old are said to have fawned on their monarchs. Our forefathers simply would not have known how to do that sort of thing. They did not depend upon a government. The government depended on them.

They derived their freedom to worship, to speak and to carry on from Almighty God and not from anything fashioned by man.

The utter reversal that has come about in our manner of thinking—a reversal which holds much evil and no good—is being driven in by a parade of authorities through committee rooms, through lecture halls and even through pulpits, solemnly warning us and exhorting us not to be hasty in getting rid of our war-time controls so as not to lapse into another dreadful era of tooth and claw. We are being warned against the dangers of freedom. We are being openly counseled to follow the cultures and even the diets of nations that never knew freedom. In the 'twenties, foreign missions were inspecting us to see how and why we managed so well. Now, in the 'forties, we are being taught that whatever we did in the past as a people was crude and quite wrong and that our future lies in being something other than American.

All of which, to me, is rot, for I do not happen to be one of those who believe that the United States is a failure. And, although we have a lot to learn and, if we keep our balance, we shall always

(Continued on page 2290)

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*Address delivered by Mr. Dow at the Biltmore Hotel, New York City, May 13, 1944, on receiving the Gold Medal Award of the American Institute of Chemists.

U. S. Regarded As Perhaps Greatest World Force When Peace Is Set

Baruch Says No Country Will Be Able To Improve Well-Being Of Its People Without Our Help

Depicting our nation as "a force, perhaps the greatest when the peace of the world is set," Bernard M. Baruch, at the 140th anniversary dinner of "The Churchman," on May 23, made the further statement that "when the war is over no country will be able to improve the well-being of its people without our help." Mr. Baruch went on to say that "peace will be almost meaningless without betterment of daily existence. In that crisis Uncle Sam will show himself to be neither profligate nor parsimonious. He will be fair, and that means to himself as well as to others. I have no economic radar to penetrate the future, but we can make it what we will it to be. Of that I am sure."

At the dinner, held at the Waldorf-Astoria, Mr. Baruch received the "Churchman Award" for 1944; the award is presented annually to one who has rendered distinguished service in "the promotion of good-will and better understanding among all peoples." The presentation of the award to Mr. Baruch was made by Thomas J. Watson, a trustee of the Churchman Association, and President of the International Business Machines Corp. Among the speakers at the dinner were James F. Byrnes, Director of the Office of War Mobilization; James Forrestal, Secretary of the Navy; Robert H. Jackson, Associate Justice of the Supreme Court; Robert P. Patterson, Under-Secretary of War; William M. Jeffers, President of the Union Pacific R. R. and formerly Rubber Director for the War Production Board: the Right Rev. G. Ashton Oldham, Protestant Episcopal Bishop of Albany, and Dr. Guy Emery Shipler, editor of "The Churchman."

The address of Mr. Baruch follows:

"My deep thanks for the compliments paid me by 'The Churchman's' medal, by the distinguished speakers and by your presence here.

"After the flattering words spoken about me, I should like to say a few kind words about a certain relative of mine—a relative of yours—the one who made me possible—the one who makes you possible—our Uncle Sam. We gaze on him with a sort of toleration and amusement, but he is a pretty sturdy soul. He is always on the side of right—sometimes a little slow getting there, but when he does arrive he makes himself felt. He is better than we think he is stronger than we know. Let me state a few of his claims to your respect.

"There is a tendency among us to wonder whether he—let us say we—have done all we should have done in the world cataclysm. We search our souls for reassurance.

"Perhaps we have not done as well as we should have done, or as we could have done. Nor yet will do. But even so, we do not have to hang our heads. Without us, could the Russians have held? Could the Japanese have been stopped? Could the valiant Chinese have done as well as they have? And what of the magnificent fight of the British? Were we not of help to them? Churchill has proclaimed his debt to us. Even Stalin has admitted the effect upon his battles of the war-making power of America. Today the bloody Nazis and the Japs face a defeat that without us could not be.

"We are fighting—and helping—not on limited fronts, but on the whole circumference of the globe, and from the North to the South Poles. Even now our men are poised ready for the great invasion and the blow at Japan. We feed the hungry and we clothe the naked. We build roads, airports, harbors and plants. We suply our allies all over the world with machines of death and supports of life, in food, medicine and shelter.

"We are the most powerful nation in the world. Let us not forget that. By keeping it in our mind we shall not ignore the obligation power carries with it—to use it justly and helpfully. And we shall be a force, perhaps the greatest, when the peace of the world is set.

"When the war is over, no country will be able to improve the well-being of its people without our help. Peace will be almost meaningless without betterment of daily existence. In that crisis Uncle Sam will show himself to be neither profligate nor parsimonious. He will be fair, and that means to himself as well as to others. I have no economic radar to penetrate the future, but we can make it what we will it to be. Of that I am sure.

"In assessing our position, let us remember that, great as our physical strengths are, they are made even greater by the fact that our spiritual armor is untarnished by self-gain; all our steps toward self-protection are steps to save the world—to bring peace to all nations of good will.

"America has never forgotten—and will never forget—the nobler things that brought her into being and that light her path—the path that was entered upon only 150 years ago—a little more than twice my own age. How young she is! It will be centuries before she will adopt that maturity of custom—the clothing of the grave—that most people believe she is already fitted for.

"Our people are hard-bitten. They owe only to themselves what they have, but somehow, they have always preserved the chivalry and idealism that others mistakenly assume is softness.

"Soft? Who dares say that? Have we not fought whenever the test showed that fighting meant national existence and self-respect? When did we ever fail to fight? And when did we ever fight without high purpose, with one possible exception?

"I see the leaven of time at work. The precepts of the great Woodrow Wilson are bearing

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International Monetary Conference Called By President Roosevelt — 42 Nations Invited

An international conference to discuss post-war international monetary problems has been called by President Roosevelt. The conference, which will begin on July 1, will be held at Bretton Woods, N. H. More than 40 nations have been invited to participate in the conference, the official designation of which will be the United Nations Monetary and Financial Conference. The United States delegation will be headed by Secretary of the Treasury Morgenthau. The White House announcement in the matter was issued as follows on May 26:

"President Roosevelt has called an international conference for the purpose of discussing proposals to meet post-war international monetary problems.

"Invitations have been extended to all the United Nations and the nations associated with them in the war, requesting them to send official representatives to the United States for the conference which will begin on July 1.

"The delegates representing the United States will be headed by Secretary Morgenthau of the Treasury.

"The conference is expected to last several weeks.

"All agreements worked out by the conference subsequently will be submitted to the respective governments for approval.

"List of governments and authorities invited to participate in the conference follows:

"Australia, Belgium, Brazil, Canada, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, French committee of National Liberation, Greece, Guatemala, Haiti, Honduras, Iceland, India, Iran, Iraq, Liberia, Luxembourg, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Panama, Paraguay, Peru, Philippine Commonwealth, Poland, Union of South Africa, Union of Soviet Socialist Republics, United Kingdom, Uruguay, Venezuela, Yugoslavia."

According to the Associated Press, proposals to be considered, are understood to be:

"A $10,000,000,000 international bank to finance reconstruction and development.

"An $8,000,000,000 stabilization fund to provide a gold base for the currency of each participating nation and reduce fluctuations in international currency transactions."

Stating that bids for Congressional representation on the American delegation were made in the Senate on May 27, the Associated Press Washington advices said:

"Senator Wagner (D., N. Y.), Chairman of the Banking Committee, said that he thought it would be a good thing for legislators to sit in on the deliberations since Mr. Roosevelt has asserted any agreements will be submitted to the respective Governments for ratification.

"Senator Ferguson (R., Mich.) advocated that members of the Senate and House Banking Committees attend the conference. He said that the Senate will have to act if treaties evolve from the deliberations and both House and Senate will have to approve any legislation needed to implement decisions of the conference.

"It is stated that the White House announcement followed a series of conferences which President Roosevelt had held with John G. Winant, Ambassador to Great Britain; Harry D. White, monetary expert of the Treasury, and other specialists in international finance.

"That such a conference would be held has been certain since monetary experts of 34 united and associated nations agreed last April 21 on broad outlines of a post-war stabilization program, including an $8,000,000,000 gold-based stabilization fund," said Associated Press accounts (Washington) May 19, which added:

"The question of when it should be held has been a major problem, however. Current pre-invasion restrictions on even diplomatic travel from the British Isles, for instance, have loomed as an obstacle. Representatives would be expected from all the governments in exile based in London.

"The agreement approved in principle by the monetary experts of 34 nations apparently will be the starting basis for conference discussions. It calls for the United States to contribute about $2,500,000,000 to the international stabilization fund. Britain would put in about $1,250,000,000 and Russia about $1,000,000,000."

The report of Secretary Morgenthau to a group of Senate and House committees on April 21 making known the reaching of an agreement by technical experts of the United Nations for an international monetary fund was noted in our April 27 issue, page 1737.

The British Statesman

"We do not include in our program of world renovation any forcible action against any government whose internal form of administration does not come up to our ideas, and any remarks I have made on that subject refer only to enemy powers and their satellites who will be struck down by the force of arms. . . .

"In one place we support a King, in another a Communist. There is no attempt by us to enforce particular ideologies. We only want to beat the enemy, and then, in happy and serene peace, let the best expression be given by the will of the people. . . .

"As this war has progressed it has become less ideological in its character, in my opinion. The Fascist power in Italy has been overthrown and will, in a reasonable period of time, be completely expunged, mainly by the Italian democracy themselves. If there is anything left over after that, we will look after it. . . .

"The victories of the Russian armies have been attended by a great rise in strength of the Russian state and a remarkable broadening of its views. . . .

"Quite recently some of our representatives from the Ministry of Information were allowed to make a considerable tour in Russia and found opportunities of seeing for themselves what they liked. They found an atmosphere of candid friendliness and keen desire to see British films and hear of our country and what it is doing in the war. Children in schools were being informed about the war on the seas and of its difficulties and perils and how the northern convoys got through to Russia. There seemed a great desire among the people that Britain and Russia should be friends.

"These are marked departures from conceptions which were held some years ago for reasons we can all understand."—Winston Churchill.

We evidently have here the typical British statesman speaking with a very substantial degree of frankness.

May we in the future hear less about "ideologies" and more about more vital issues from all allied leaders!

The State Of Trade

Industry and labor are turning their eyes toward the post-war period with some fear and trepidation. They are concerned as to how and where they will fit into the scheme of things with the return of America to a peacetime economy. Commerce and industry have for the most part been engaged in war work, production of goods for civilian needs having suffered curtailment and and in some instances activity having ceased entirely. There has never been any doubt of America's ability to meet its war requirements, and this it has done.

In November of last year industrial production reached its peak and has shown signs of tapering off. Large surpluses of arms and equipment for war have accumulated, making cutbacks and cancellation of contracts in recent months, running into substantial sums, necessary. This action has resulted in a reduction of personnel, and in some cases a complete shut-down in plant. No alternative of a changeover to non-war production is open to management, due to wartime restrictions and controls which govern vital materials.

For an early solution of the problem much depends upon the outcome of the battles presently being waged. Should the expectations of our military and naval leaders be fulfilled, the Government will permit production of some civilian goods possibly eight months hence. In view of these prospects, it is important that reconversion of plant and equipment to a civilian economy be undertaken as soon as practicable. By so doing, it will lessen the impact of the transition period by assisting labor and management in finding their proper place and function in the post-war era.

In some quarters it is felt that the time is premature for such plans and that they should await victory first. Those of more sober judgment hold that now is the acceptable time for such planning, thus avoiding confusion which may probably ensue.

A perusal of the weekly reports of trade and industry for the past week reveal only slight changes over the previous week in the rise and fall of production. On the favorable side, advances were noted in electric cutput, freight car loadings and paper and paperboard production, while output of anthracite and bituminous coal edged lower and the forecast of scheduled production of steel ingots and castings for the current week is expected to decline slightly. However, the large-scale shell program and orders for landing craft now under way provide mills with an overflow tonnage and assure producers of no slack moments for several months to come. As for retail trade, marked activity was the order stimulated somewhat by pre-holiday buying of summer apparel and accessories.

In the field of electric production, results reveal that output of electricity advanced to approximately 4,245,678,000 kwh. in the week ended May 20 from 4,238,375,000 kwh. in the preceding week, as reported by the Edison Electric Institute. The latest figures represent a gain of 6.3% over one year ago, when output reached 3,992,250,000 kwh. Consolidated Edison Co. of New York reports system output of 180,400,000 in the week ended May 21, and compares with 177,900,000 kwh. for the corresponding week of 1943, or an increase of 1.4%.

The steel mills of the country in recent weeks are reflecting the pressure of intensified war with the current shell program crowding out other products. The manpower question still remains a dominant factor in production, and fears of increasing losses of skilled labor this summer are prompting mill owners to exert every effort to push ahead for earliest delivery as much tonnage as possible now standing on mill books, magazine "Steel," in its market summary the current week reveals. The increased tempo of shell steel and landing craft production, according to the summary, "not only provides mills with overflow tonnage, but assures most producers all they can handle for several months."

A general decrease in third quarter allotments has been sharp in some cases, the summary indicated, attributing the cause to an expected decline in output, because of a lack of skilled labor, effects of hot weather and the need for equipment repair, adding that with respect to requirements for the last half, much depends on the progress of the war in western Europe. The full effects of the heavy shell program embarked upon should be known early in the third quarter. In coping with the problems of this program, the summary reveals that no new rolling capacity will be required, though considerable forging and machinery equipment will be necessary. Installation of this equipment will be soon, and some in plants never before engaged in this type of production. The magazine reports a sharp reduction in WPB allocations of tin plate for cans in the third quarter, setting the figure at 634,000 tons as against 800,000 tons asked by industry. In view of the curtailment of tin plate, according to the same source, an understanding has been reached with can makers, in meeting seasonal demand for fruit and vegetable canners, in the third quarter, by keeping down production of cans for non-seasonal products and giving right of way to those for food products.

Of the important steel products of a more finished nature than the major products, the magazine reports a heavy demand, with producers running into difficulty in obtaining sufficient steel to fill requirements. As for pig iron and scrap for steelmaking, the industry is confronted with no problem of supply, since both are sufficient for the high steel production rate, the summary points out, adding, "scrap is moving freely and reserves in most cases are all that melters desire. Some apprehension continues as to supply late in the year, but up to this time no trouble has been experienced. In pig iron the situation is so easy that blast furnaces down for relining are not being pushed for relighting, especially in face of lack of skilled labor to refit them. The problem of turnings, which probably will be increased by the heavy shell program, has not been solved and alloy contamination is causing many rejections.

As for the rate of steel production, the American Iron and Steel Institute places scheduled output for the week beginning May 29, at 97.5% of rated capacity, equivalent to 1,746,500 tons of steel ingots and castings, a decline from recent new highs established in the United States. Scheduled output for the current week compares with operations at the rate of 98.4%, and output of 1,762,600 tons a week ago. For the week beginning May 31, last year, steel output totaled 1,704,000 tons, and the rate was 98.4% of capacity.

With respect to freight carried by the railroads carloadings of revenue freight for the week ended May 20 totaled 871,105 cars, the Association of American Railroads announced. This was an increase of 2,796 cars, or 0.3% above the preceding week this year, and an increase of 27,263 cars, or 3.2% above the corresponding week of 1943. Compared with a similar period in 1942, an increase of 33,429 cars, or 4%, is shown.

The first step in the return of the anthracite mines to their private owners was taken on Friday, last, when Economic Stabilization Director, Fred M. Vinson, approved the anthracite coal contract, which provides wage increases for miners, and at the same time authorized a reduction in anthracite prices by about 14 cents a ton. The mines were seized by the Government last November as a result of a wage dispute between the operators and the miners. A reduction in the price of anthracite averaging 28 cents a ton was to go into effect on June 1, while the mines were under Government control. This recent agreement, which has the WLB approval, cuts the scheduled reduction by an average of 13.3 cents a ton, leaving a net cut approximating 14 cents a ton. The revised prices, it is understood, go into effect on June 1, for the producers and shortly thereafter for retail trade.

As for production in the anthracite coal fields the U. S. Bureau of Mines reports estimated output of Pennsylvania anthracite at 1,305,000 tons for the week ended May 20, 1944, a decrease of 21,000 tons, or 1.6% from the preceding week. An increase of 23,000 tons, or 1.8%, is noted when compared with output in the corresponding week of 1943. For the calendar year to date, however, an increase of 4.4% is shown over the similar period of 1943.

Bituminous coal output for the week ended May 20 reflected a decrease of 260,000 net tons from the preceding week at 12,310,000 tons, and a rise of 881,000 from a year ago, when production for the comparable week was 11,429,000 tons, as reported by the National Coal Association. Output to date—Jan. 1 through May 20, 1944—aggregated 247,705,000 tons, as against 236,087,000 tons for a like period in 1943. The report of the Solid Fuels Administration placed production for the week ended May 13 at 12,560,000 net tons, against 12,150,000 tons in the preceding week.

Paper output for the week ended May 20 was equal to 91.6% of capacity, against 89.6% in the preceding week and 92.2% for the week ended May 22, 1943, the American Paper & Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 97% of capacity, against 95% in the preceding week.

Marked activity noted in retail trade in New York in past weeks was again present last week. Further impetus was given to retail trade by pre-holiday purchases of summer apparel and accessories. Estimates of department store sales were set at 15% to 20% above the same week of 1943. The coat and suit market enjoyed brisk business with buyers for retail trade placing orders for requirements through the month of September. According to the Federal Reserve Bank's index, sales in New York City for the weekly period to May 20 advanced by 13% over the same period of last year. For the four weeks ending May 20 sales rose by 18%, and for the year to May 20 they improved by 7%.

Retail trade in some sections of the country had to contend with inclement weather the past week but managed to hold its own, when viewed from results achieved in the same period one year ago. Dun & Bradstreet, Inc., in its review of retail business, reported further tightness the past week in many staple apparel, textile and leather lines where government continues to be a heavy purchaser. Deliveries of summer merchandise were good, the review stated, though some buyers were reported to have set limits for delivery of fall goods. Retail apparel sales continued to comprise a goodly portion of the total volume with women's and children's wear, particularly active. A slight increase in the sales of men's wear was also indicated. The Memorial Day week-end provides an added incentive to shoppers to purchase sports goods and the usual vacation equipment. In the hardware and paint line, some letup in buying was noted, influenced by rainy weather. In comparison with a year ago, regional trade volume was favorable, says the review, reporting a gain of as much as 12% for the country as a whole, and showing regional percentage increases as follows: New England, 8 to 10%; East, 10 to 12%; Middle West, 6 to 10%; Northwest, 5 to 8%; South, 12 to 16%; Southwest, 14 to 17%, and the Pacific Coast area, 12 to 14%.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, moved upward by 15% for the week ended May 20, compared with the same week a year ago, while sales for the four weeks' period ended May 20 advanced by 18% over a similar period a year ago. For the year to May 20 an increase of 6% was noted over a like period in 1943.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on May 30 that the tenders for $1,200,000,000, or thereabouts, of 91-day Treasury bills to be dated June 1 and to mature Aug. 31, 1944, which were offered on May 26, were opened at the Federal Reserve Banks on May 29.

The details of this issue are as follows:

Total applied for, $1,887,125,000.

Total accepted, $1,215,335,000 (includes $50,745,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.356% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(60% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on June 1 in the amount of $1,007,386,000.

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fruit. Both of the major parties have consecrated themselves to the principle of international cooperation and force. This may have the effect, as has been said, of 'taking the peace out of politics and politics out of the peace.' That is the way it should be.

"Today we are deep in war, where we shall be for some time to come. We can survive only through victory, and that will come by tensing every muscle on the job and by making every effort of spirit. Then, with the vista of peace before us, a peace which we shall make beautiful—or distort—we will have the contentment that comes from duty well done, or the contempt of failure.

"In another day, Cicero said the proudest boast a man could utter was 'Civia Romanus sum' (I am a Roman citizen). It is my prayer that our conduct may always be such as to carry greater praise in the accolade:

" 'I am an American.'

"One last word. Some ask why we fight? This is my answer: We fight for

'Ancient Rights, unnoticed as
the breath we draw,
'Leave to live by no man's
leave, underneath the Law.'

"My thanks again."

The Financial Situation

(Continued from first page)

communiques and the pronouncements of the Secretary of State in vain for much evidence of such a situation. But this time as so often in the past the President has apparently chosen other media through which to make public his ideas and attitudes. Last year he chose a popular magazine of large circulation and a writer whose gift of effective popular presentation of the views or policies of a sopnsor are well known to let the public see what his trend of thought was concerning our post-war foreign relations. He has now quite evidently chosen the same writer and the same magazine to tell the American people of his "great design" in world politics as it has developed to date and as it was exemplified at Teheran. If there had been any suspicion that the President's account (for that in essentials is what it is) of what really happened at Teheran was a little fanciful, or lacking in essentials, such doubt must by now have been dissolved by what Mr. Churchill had to say at points last week before the House of Commons.

Although Secretary Hull, Mr. Churchill, Mr. Stalin, and, on occasion, even the President still have good words for the Atlantic Charter—indeed use it—as a sort of shibboleth when the occasion appears to require it—it seems fairly clear at this time that President Roosevelt conceives of a post-war world controlled by the armed might of Russia, the British Empire, and the United States. What specifically these three controlling powers are to do in this or that part of the world or with reference to this or that question is at this moment quite "fluid" (for which read wholly undetermined). They may here adhere to the tenets of the Atlantic Charter, so far as definite meaning can be found for such vague generalities, and there conveniently forget that such a document ever existed. Pax Britannica, concerning which so many kind words are heard these days, is to be transmuted apparently into a sort of Pax Britannica-Americana-Russiana—and since British and Russian interests often clash, while ours collide little with either, the United States would hold the balance of power between the two—and thus be more or less rulers of the world.

No Place For Us

Fantastic? It appears definitely so to us, but that is what is being made of the facts as they have been guardedly entrusted to the public and it is not easy to make anything else of the situation. But fantastic or not, any such position as this, or even any serious attempt to attain such a position, is full of hazard to us and is certain to be exceedingly costly in the end. In the first place, neither Russia nor the British Empire will at any time willingly permit the United States to act as a sort of compulsory arbitrator in important matters which may arise in dispute between the two countries. If one or the other agree in any particular instance to such an arrangement it will be because it either has good ground to believe it has our ear, or else it fears the armed power that we could—and would—throw into any conflict which might arise out of the dispute. We can scarcely imagine any thoughtful American with the good of his country fully at heart wishing to have the United States playing any such world role as is thus suggested.

But there are other and more immediate complications which may or may not greet the casual eye. For one thing, it may be taken for granted that neither Russia nor Great Britain will fail to exact the last farthing for even appearing to accept such an arrangement from the hands of President Roosevelt. It already appears that the President has resigned himself—if he ever had a great deal of real interest in the matter—to permitting Stalin to have his way in the Baltic regions and probably in other parts of eastern Europe as the price—or one of them—of Russia's "return to the family of nations." What other prices the Marshal will exact in the future can not at this time be known, but it is plain as a pikestaff that if ever there was a hard-headed—and hard-hearted—realist in world politics, Stalin is the man. He doubtless has other ambitions and covets other prizes—which incidentally may or may not include world communism, but which certainly include considerations of the sort quite well understood in non-communistic world politics—and will not be backward about seizing opportunities as they present themselves.

The British Position

We doubt if any one whose judgment is worth a fig has ever supposed that any of this was escaping Winston Churchill, that veteran of world politics. Nor need we suppose that this same gentleman does not understand that Russia, dominant in eastern Europe and rid of any threat from Japan, would be far stronger than a Britain without strong alliances in western or central Europe or America. He doubtless is also well aware that such a British Empire standing alone would, at least militarily speaking, be no match for the United States. In the situation apparently envisaged by the President, the British Empire would without question hold third place in the Triumvirate—subject to the whims of the United States, if not in substantial degree dependent upon Russian goodwill. Now the rise of the British Empire in the first place and its survival through the centuries are the fruits of the ability of British statesmen to foresee and forestall just such situations. It is not likely that they will succumb this time without a struggle to say the least.

Of this Mr. Churchill's surprising defense of Spain, and the not entirely irresponsible discussion in England of revision of the British attitude toward western and central European powes—even including Germany—may be taken as a confirmation. On the basis of present prospects Britain will be in need of allies in Europe—and may even now be looking around for them.

For the United States, all this has one message of paramount importance. It is this: The time has come for us all to look very carefully before we do any further leaping.

Former Government Officials Join Am. Business Congress

The American Business Congress, a National organization of independent business men with membership extending throughout the United States, announces that Sylvan Joseph, former Regional OPA Administrator for seven Middle Atlantic States, and Harwood Gilder, former Financial Advisor of the WPB and Assistant to the Chairman of the Smaller War Plants Corp., have been elected to the Board of Directors. With past experience in three Governmental agencies of importance to independent business, they will act in an advisory capacity in matters pertaining to problems of business men, relating to price control, priorities, etc.

Four officers of the organization were retained in office by a vote of the membership. These were: George Harrison, President; Nat Bass, Vice-President; Alonzo Magee, Treasurer, and Harold M. Schwab, Secretary.

The new Board of Directors, composed of business men representing 16 different industries, and include the following: Ben Abrams (President, Emerson Radio & Phonograph Corp.), A. Bloom (General Instrument Corp.), Benjamin Botwinick (Taxicab Bureau, Inc.), President; Jos. D. Brown (Poloron Products Inc.), Albert W. Clurman (Counsellor-at-Law), S. Cummings (Executive Secretary National Association of Uniform Manufacturers), Thomas Donovan (Counsellor-at-Law), Harry Golden (President, Magna Products Corp.), Harold Gessner (La Marquise Footwear Co.), Harwood Gilder (President, Harwood Gilder & Co., Inc.), Sylvan Joseph, Milton J. Karp (President Karp Metal Products Co.), Victor Lebow (Chester Roth Co., Inc.), John Mariano, Oscar Ray (Vice-President, Times Appliance Co., Inc.), George J. Seedman, (President, Times Square Stores Corp.) and Ira Shorin (Topps Chewing Gum).

Bill Simplifying Individual Income Tax Passed By Congress And Signed By Presiden

Following the completion by Congress of action on the bill t provide for the simplifaction of the individual income tax the bill o May 23 was sent to the President, who signed it at 7 p.m. on May 29

Early in the month, May 5, the House unanimously passed th bill, and on May 20 the Senate adopted the proposed legislatio by a voice vote; on May 23 the House, in unanimously passing the bill by a voice vote, accepted, on a motion by Representative Doughton (Dem.-N. C.), Chairman of the Ways and Means Committee, technical Senate amendments. The bill had been favorably reported by the Senate Finance Committee on May 16. Senate approval of the bill on May 20 came after Senator Langer (Rep.-N. D.) yielded the floor following 3 hours and 20 minutes of speechmaking the previous day and another hour at the May 20 session. He had refused to permit action on May 19 on the ground that the simplification bill was filled with perplexities he needed time to study. Associated Press advices reporting this, added that Senator McCarran (Dem.-Nev.) abandoned plans to amend the bill to cut the cabaret tax from 30 to 10% after he said he was assured by Finance Committee Chairman George (Dem.-Ga.) that the amendment would be accepted to the pending bill raising the National debt limit from $210,000,000,000 to $240,000,000,000.

The Associated Press on May 23 noted that the bill did not pass without a floor fight. Representative McLean (Rep.-N. J.), having renewed his assertions that it is not merely a simplification bill but a revenue-raising measure. It was further stated:

Mr. McLean, a member of the Ways and Means Committee, previously had said it would increase individual income taxes by $2,000,000,000.

Mr. Doughton vigorously disputed this, citing figures to show that the Treasury actually would lose $60,000,000 of the $17,000,000,000 now collected from individuals.

From the Associated Press we also quote:

The measure rearranges the whole individual income tax structure, discarding the two-year-old wartime "Victory" tax and setting new normal and surtax rates and exemptions—while keeping actual tax burden at substantially present levels for most persons.

Effective next Jan. 1, the withholding system would be adjuste to take the full tax liability fo wage and salary persons earning up to $5,000. Thus the withholding levy would become the actual tax beginning next year, for 30,000,000 taxpayers. They would owe n more at the end of the tax year.

No change would be made i amounts withheld from pay envelopes this year, but the Government itself would compute the taxes on 1944 income for those with wages and salaries of $5,000 and less.

The measure would add some 150,000 new taxpayers earning between $555 and $624, while reshifting to the status of income taxpayers approximately 9,000,000 persons now subject to the Victory tax but with incomes not large enough to come under present income levies.

Generally, in the reshuffling to attain a two-tax system to supplant the present three-way—Victory, normal and surtax—take from taxpayers' pockets, the legislation eases the burden for persons with large families, while increasing somewhat the load for childless married couples. This results from a flat $500 personal exemption for each taxpayer and dependent to replace the present scale of $1,200 for a married couple plus $350 for each dependent.

It does not disturb the present $1,500 exemption allowed men and women in the armed services above their regular family status credits.

To provide "freedom from computation" relief at the close of this year, pending January effective date of the new withholding system, all those with wages and salaries up to $5,000 and receiving no more than $100 from sources not subject to withholding will be permitted simply to file a withholding receipt in place of a regular return.

The adoption of the bill by the House on May 5 was referred to in our May 11 issue, page 1941.

Manpower Needs And Labor Supply Are In Better Balance Says Conference Board

Apart from rising seasonal requirements for farm labor, current manpower needs appear to be in better balance with labor supply than at any other corresponding period since the war began, according to the National Industrial Conference Board, on May 16. The plateau in manpower needs on the home front, which became evident in the Board's employment figures in the closing quarter of last year, has continued in the early months of this year, says the Board, which states that the main difficulty now is that of supplying manpower as sudden and unanticipated adjustements in the war program are made.

The Board further said:

"Demands for farm labor were primarily responsible for a net gain of approximately 300,000 in employment during March. The total number at work and in the armed forces rose 61.3 million compared with 60.9 million at the beginning of the year and 59.5 million in March, 1943. An increase of about 350,000 at work on the farms plus an estimated net addition of 100,000 to the armed forces was offset in part by the unbroken decline in civilian nonagricultural employment.

"The total number of nonfarm civilian workers in March was down to 41.8 million as compared with a wartime peak of 43.0 million in July, 1943, and 42.6 million in March of last year. Only in transportation was civilian employment greater than in March, 1943. In manufacturing, employment has declined by more than 200,000 since last year while the number at work on construction has dropped by 750,000 and was less than half of the corresponding total in the initial months of the war. Total employment in the nation's five basic industries—minerals, manufacturing, construction, transportation and public utilities—was well over half a million lower in the initial quarter of 1944 than a year ago.

"Employment in manufacturing has fallen off by nearly 650,000 in the past four months. Of the 20 major manufacturing groups only three increased the number on their payrolls. These accessions were minor compared to the substantial losses during the month in the transportation equipment and chemical groups.

"The increase of 350,000 in farm employment from February to March was entirely in the category of family labor. The number of hired workers remained at a level almost 10% below that of March, 1943."

More than $24 Billion Provided Under Terms Of Lend-Lease Acts, President Tells Congress

A total of $24,224,206,000 is shown as having been provided by the United States under the terms of the Lend-Lease Acts, from March, 1941, through March 31, 1944, in the 15th report to Congress on Lend-Lease operations transmitted to Congress by President Roosevelt on May 22.

"Since the beginning of the Lend-Lease program on March 11, 1941," says the report, "we have sent a total of more than 30,000 planes, about 25,000 tanks and over 800,000 other military motor vehicles to the forces of our Allies. Of these totals, over 23,000 of the planes, over 23,000 of the tanks and almost 550,000 of the other motor vehicles went under lend-lease. The others were paid for in cash by our Allies."

In his letter transmitting the report to Congress the President said:

"To the Congress of the United States of America:

"I am submitting herewith the 15th Report on Lend-Lease Operations for the period ending March 31, 1944.

"United Nations forces are now about to strike new and mightier blows at Nazi-occupied Europe from offensive bases in the West, the South and the East. The fighting men of many nations have been banded together in combined operations. They are armed with the most powerful weapons that the combined resources and ingenuity of the United Nations can produce. They are ready to bring to bear their strength to continue the crushing process against the Nazis and the German war machine.

"Our American forces will go into battle side by side with the men of Britain, France, Norway, Poland, Czecho-Slovakia, Netherlands and our other Allies. At sea, warships flying many United Nations' flags will escort the fleets. In the skies, the Royal Air Force will join with the United States Army Air Forces in blasting the paths for our troops and in protecting them from air attack.

"For this great undertaking the United Nations' fighting partnership has been made far stronger by lend-lease and reverse lend-lease. Through lend-lease we have made certain that every man in the forces of the other United Nations who goes into battle beside an American fighting man has what he needs to hit the common enemy as hard as possible. Through reverse lend-lease the American forces have been similarly aided by our Allies with everything they had that we needed.

"On the eastern European front, also, arms and other war supplies provided by the United States and the British Commonwealth will continue to strengthen the Soviet Armies for the new blows that will be timed with our advances.

"In the Far East and the Pacific, our offensives in New Guinea, in Burma, and against the Japanese fortress islands in the central Pacific are proof that the battle for Japan is not waiting upon the successful conclusion of the battle against Nazi Germany. China is being helped to the utmost of our ability.

"Decisive battles are ahead. Now, more than ever, it is vital to our own American Army and Navy and Air Forces, as well as to the forces of the other United Nations, that we continue to provide our fighting partners with the additional war supplies they need to supplement their own resources. Congress has again recognized this fact by its overwhelming vote to extend the Lend-Lease Act.

"Only by uniting our full strength with the full strength of the other free peoples of the world have we moved from the defensive to the offensive, from defeats to victories. By maintaining our unity now, we shall certainly achieve final victory. By continuing our unity after the war we can assure a peace in which mankind can live and work and worship in peace, freedom and security.

"FRANKLIN D. ROOSEVELT.

"The White House,
"May 22, 1944."

In the first 60 days of 1944, the report shows, more than 2,100 lend-lease planes, almost 2,000 tanks and more than 60,000 other military vehicles were sent to our Allies.

In Associated Press advices from Washington May 22, it was stated:

"Nearly $4,750,000,000 in lend-lease aid has gone to Russia, two-thirds of it in the last year. Up to March, 1944, we had sent Russia 8.800 fighters and bombers, 190,000 military trucks, 36,000 jeeps, 5,200 tanks and tank destroyers and 30,000 other military vehicles.

"The United States has leased almost 1,400 naval craft to the British under lend-lease. They include more than 30 convoy escort aircraft carriers, destroyer escorts and merchant ships, and are in addition to $200.000,000 worth of landing barges, PT boats and other smaller craft sent to the United Kingdom.

"The bigger vessels are leased to the Allies for the duration of the war. Title remains with the United States.

"The report showed a mounting total of reverse lend-lease. Emphasizing the pooling of Allied fighting equipment, it said: ''In proportion to their available resources, our principal Allies are putting into this war fully as we are, including lend-lease aid.'

"Here is the report's breakdown of lend-lease: To the United Kingdom, 42.5%; Russia, 27.6%; Africa, Middle East and Mediterranean, 14.4%; China, India, Australia and New Zealand, 11.2%; Latin America, 0.8%; all other areas, 3.5%.

"In the Pacific and Far East, almost $2,000,000,000 worth of lend-lease has been poured into the fight against Japan."

The signing by President Roosevelt on May 17 of the bill extending the Lend-Lease Act for another year was noted in our May 25 issue, page 2180, and the statement he issued in approving the bill was also given therein.

Wool Associates Receive Nominations for Office

Alden H. Vose, Jr., Chairman of the Nominating Committee of Wool Associates of the New York Cotton Exchange, Inc., announced on May 25 the slate of offices to be filled at the annual election of the Exchange on June 5. Bernard J. Conlin, currently First Vice-President of Wool Associates, was nominated for the Presidency to succeed Frank J. Knell, who was named for the Board of Governors. Albert W. Hilliard was nominated for the post of First Vice-President, with Lawrence P. Hills named as Second Vice-President and Benedetto Lopinto Treasurer.

The following were nominated for the Board of Governors of Wool Associates: B. Harrison Cohan, Tinney C. Figgatt, Arthur N. Gorham, Joseph P. Henican, Jr., Marland C. Hobbs, Frank J. Knell, Stanley H. Lawton, Robert J. Murray, Max W. Stoehr, Philip B. Weld and Arthur O. Wellman.

Nominations as inspectors of election for 1945 include: James B. Irwin, James C. Royce and William H. Spilger.

Dies Will Not Seek Re-Election to Congress

Representative Martin Dies (Democrat) of Texas, announced on May 16 his withdrawal from the Congressional race, indicating that he would not seek reelection because of ill health and a desire to return to private law business. According to Associated Press advices from Jasper, Tex., Representative Dies on May 13 said that "from the beginning of my service in Congress my opposition to immigration has made me a number of powerful enemies." These advices added:

"In a telephone interview, Mr. Dies said 'they were people who wanted to open the gates to relatives, friends and their own nationals. My opposition to such bills prompted the organized blocs in Eastern cities, in New York, Chicago and other places, who were determined to bring in their relatives, friends and nationals, to oppose me.'

"Representative Dies added: 'The American Federation of Labor indorsed me every two years. The Congress of Industrial Organizations endorsed me until the House Committee on Un-American Activities began an investigation of the CIO. The AFL still supports me.'"

Judge J. M Combs, who recently resigned as Justice of the Ninth Court of Civil Appeals, had earlier made known his candidacy for Congress opposing Mr. Dies. From Washington on May 13 it was stated that at least one member of the Dies Committee thinks the decision of Chairman Martin Dies to retire from Congress will not affect the operations of the Committee for the rest of the session. The Associated Press, from which we quote, added:

"Representative J Parnell Thomas, Republican, of New Jersey, ranking Republican on the group which is known officially as the Special Committee to Investigate un-American Activities. said Representative Dies' decision not to seek re-election 'should not be construed as affecting the functions of the Committee for the remainder of its tenure, which expires next January 3.'

"Mr. Thomas said he believed the House should continue to maintain such a committee and 'should give serious consideration to the advisability of establishing a permanent standing committee on un-American activities with a highly trained and permanent staff.'

"His convictions, he added, 'are based upon the present underground strategy now in operation by certain of the subversive and un-American groups within our midst. The Congress and the people must never let their guard down against these enemies.'"

In Washington Associated Press accounts from May 12 it was stated:

"The CIO Political Action Committee, headed by Sidney Hillman, had marked the Texan down for defeat."

* * *

Mr. Dies' withdrawal, coming on top of the defeat in the recent Alabama Democratic primary of Representative Joe Starnes, another Dies Committee member opposed by the CIO, set politicians to discussing the potentialities of the Hillman group, though some did not concede that it figured importantly in Mr. Starnes' defeat.

* * *

"So far as the House Committee is concerned, the Chairman has been its personification and the driving force behind its widespread investigations, which brought frequent clashes with high political figures, labor and other groups.

"Other members indicated that they would not take the lead in any effort to continue the Committee under the new Congress which will come into office next January.

"Representative Mundt, Republican of South Dakota, a member, said there would be no such Committee in event the Republicans organized the House, but some new group with 'clearly defined' powers might be established. The Dies Committee has operated under a broad, general grant of authority.

"Created on May 26, 1938, it has received $625,000 to finance its investigations, which ranged from inquiries into employment of 'subversive persons' by the Government to German and Japanese activities."

Hull Says Leadership Toward New System Of International Relationships Rests Upon U. S.

Discussing the shift from wartime to peacetime, Secretary of State Hull, in a statement on May 19 incident to National Foreign Trade Week, declared that leadership toward a new system of international relationships in trade and other economic affairs will devolve very largely upon the United States, because of our great economic strength. We should assume this leadership, and the responsibility that goes with it, he maintained, primarily for reasons of pure national self-interest.

Mr. Hull went on to say that we ourselves cannot live in prosperity and security in our own country while people in other countries are suffering want and being driven to despair by economic hardship. If we are to have jobs for all our workers and markets for all our goods, people in other countries must likewise have opportunity to produce to their maximum capacity and to pay us, with the fruits of their efforts, for the things we want to sell them. Continuing he said:

The Government of the United States, and other United Nations Governments, are endeavoring to make as rapid progress as possible toward the objectives set forth in the Atlantic Charter, and the mutual-aid agreements, and the Moscow and Teheran declarations. In carrying out this great task, they need and must have the support of the people whose interests they serve.

"In this matter, foreign traders have a special responsibility, extending far beyond the mere safeguarding and enhancement of their own business interests. They have a special knowledge of foreign trade and its place as a necessary support of international prosperity and world security. They can contribute much to the establishment of a sound system of trade relations among nations by sharing their knowledge and understanding with other citizens and groups. Observance of National Foreign Trade Week is one means of carrying out this responsibility."

Secretary Hull referred to National Foreign Trade Week, which opened on May 21, as "a most appropriate occasion for taking stock of our situation." "Employment on the home front," he said, "is at an all-time high. Many millions now employed in making the things with which war is waged will need good jobs after the war making peacetime products, as will many millions now serving in our armed forces." In his further remarks he stated:

"Private enterprise will, I believe, meet this challenge with courage and resourcefulness. I believe, also, that the great majority of American business men will recognize the need, as well as the unique opportunity, for utilizing our enormous capacity in the production of the kinds of peacetime goods best suited to our material and human resources; for choosing those lines of production that can stand on their own feet without heavy tariff protection or subsidies.

"Only as people everywhere have opportunity to produce those things and perform those tasks for which they are best fitted, and to exchange those products for the products of other people at home or abroad, will the world have the maximum supplies of things to be enjoyed. This can be achieved only as we co-operate with other like-minded nations, as we are co-operating now in war, to provide a basis for expanding trade and commerce among nations on a sound and equitable basis.

"The shift from war-time to peacetime commerce will undoubtedly entail some rather difficult adjustments both in our domestic economy and in our economic relations with other countries. Those adjustments must not involve such blunders as occurred after World War I, when we as well as other nations adopted commercial policies and took economic measures that disregarded and injured the citizens of other countries. Neither this country nor the world could stand a repetition of the bitter resentment among nations, the retaliatory actions, and the economic chaos and depression which finally helped to plunge us into this war.

"After this war international economic relations must be developed through co-operative measures. There must be international arrangement for currency stability as an aid to commerce and the settlement of international financial transactions. Through international investment, capital must be made available for the sound development of latent natural resources and productive capacity in relatively undeveloped areas. Above all, provision must be made for reduction or removal of unreasonable trade barriers and for the abandonment of trade discrimination in all forms.

"Such an international system of trade and financial relations embodying sound economic standards and the principles of justice must be created and made effective in order to support any international organization that may be set up to keep and enforce the peace. Otherwise, the structure of international security would be threatened with collapse as a result of economic disorder and conflict."

CDVO Mobilizes For Fifth War Loan

The Civilian Defense Volunteer Office has sold more than $75,000.000 in War Bonds and Stamps in Greater New York during the past 10 months, according to a report received May 27 by Nevil Ford, Chairman of the War Finance Committee for New York, from Mrs. Hugh G. M. Kelleher, Assistant Vice-Chairman of CDVO and Director of its War Bonds and Stamps Division. Mrs. Kelleher said that during the month of April the organization, which is engaged in all community war services, sold 741,308.50 in bonds and $46,531 in stamps.

Her report also stated that CDVO has mobilized its entire organization for action in the Fifth War Loan. Members volunteering for service in Manhattan for the coming drive will be assigned to various districts and areas of the War Finance Committee's Community Sales Division. Other CDVO volunteers will engage in the house-to-house canvass throughout the other boroughs. Other announced CDVO activity will include Bond Booths in the Public Library and at other important locations, manned by volunteers who gained experience in this work in previous drives.

Welles Warns Against 4-Power Military Alliance —Urges A Council Of The United Nations

A warning by former Under Secretary of State Sumner Welles that "if the people of the United States pin their faith to a four-power military alliance as the sole cure for the ills from which the world is today suffering, they will find themselves compelled to adopt as their national policy, after a few uneasy years a course of unremitting armaments building and of territorial aggrandizement as the only method by which they can then achieve physical security," was contained in an address on "The Shaping of the Future" by Mr. Welles on May 18 at the final meeting of a series arranged by the New York "Times," held in the Times Hall. Mr. Welles went on to say:

"History does not record any example of a military alliance between great nations which has endured for more than a short while. The result of such alliances has invariably been that during their continuance the partners have jockeyed for individual influence and for selfish advantage. At best they have given rise only to a temporary and precarious balance of power.

"The employment of power and force by themselves can never make for any true world peace. A real peace can only spring from the consent of all free peoples to the exercise in their name, by an organization entitled to speak for them, of such power as may be required to see that the moral law upon which they determine is maintained between nations. And no international organization can prosper unless it is supported by the strength of public opinion.

"If we follow the path of a pure four-power military alliance and embark upon the course of imperialism which will accompany it, how can we expect to see accomplished those fundamental reforms without which there will be no hope of a more stable world?"

In his address, as given in the New York "Times," Mr. Welles also had the following to say:

"If one believes, as I believe, that the form of world organization which the experience of the past quarter of a century has shown to be the most practicable and the most desirable is an organization founded upon regional systems of States, each system primarily responsible for the maintenance of peace in its own neighborhood, but all functioning in coordination with and under the supreme authority of a universal organization, which possesses power to employ force whenever the peace of the world, rather than merely the peace of one region, is menaced, such an initial agency might well be composed of the individual representatives of the major powers, together with a small number of representatives elected by the States comprised within each regional system."

* * *

"The kind of agency to which I refer has come to be known as a Council of the United Nations. As the weeks and months have passed and no apparent advance has been made toward the establishment of such an agency, I am glad to say that an ever greater segment of public opinion in the United States has been increasingly disquieted and has been pressing more and more openly for the creation of such a Council. I am told, for example, that this very day has been set aside by many organizations as 'United Nations Council Day,' and that 25 organizations have now joined together to stand behind the following statement:

"'We call upon our Government to cooperate now with the other United Nations in setting up a United Nations Council to proceed with the formation of the general international organization foreshadowed in the Moscow Declaration and the Connally Resolution.'

"These developments indicate that an ever larger body of our citizens is reaching the conclusion that the time to achieve international organization is before, rather than after, the end of the war. They are convinced that the way in which to obtain an international organization is to set about its actual construction, and not merely to talk about it."

In the course of his remarks, Mr. Welles also said:

"No world organization can successfully be established unless it is built from the outset upon a firm and continuing partnership between the four major powers among the United Nations — the United States, the British Commonwealth of Nations, the Soviet Union and China. Such a partnership will be peculiarly essential during the transition period after the war. But it is equally impossible to envisage a world organization which does not in fact recognize the full sovereignty of every independent nation of the world, no matter how small it may be, and its inalienable right to participate, directly or indirectly, in the political decisions which must be taken. Nor do I believe such an organization can survive unless it is predicated upon the acceptance by all of the participating nations of enlightened prinicples of international conduct and unless it possesses equitable and effective means for the pacific adjudication of all controversies as well as the force required to maintain peace.

* * *

"There are, of course, also those who, while professing unswerving allegiance to the great ideal of an eventual international organization, show every disposition to postpone for an indefinite period the taking of any practical steps toward its establishment. We can all of us agree that under our constitutional system, in the determination of the kind of international organization which should be created and of the nature of our participation in it, the executive and legislative branches of our Government must cooperate. The Congress must be in substantial accord with the policy of the Executive. But none of us can forget that time is running out.

"The longer the creation of the first political nucleus of the international organization is delayed the greater will be the danger that it may be postponed too long —the greater the likelihood that people of this country, and the peoples of the other major powers likewise, may be persuaded to the belief that the great concept of an association of free peoples is impracticable and illusory and that all that is left as a means of obtaining safety is military alliance and imperialism. And that road leads only to the Third World War."

British Consul General To Address N. Y. Chamber

Francis Edward Evans, the new British Consul General in New York, will speak on "British Trade in the Post-War Period" at the monthly meeting of the Chamber of Commerce of the State of New York at 65 Liberty Street, at noon today, June 1. This will be one of the first formal addresses made by Mr. Evans since he succeeded Sir Godfrey Haggard who retired as Consul General last February. Leroy W. Lincoln, who was elected President of the Chamber earlier this month, will preside at the meeting.

New L. I. Postal Building

Postmaster Albert Goldman announces that in accordance with a recent agreement between the War Department and the Post Office Department, a new building will be erected to provide for the increased activities of the Postal Concentration Center at New York, N. Y. The advices state:

"Parcels, newspapers and other prints, for the Armed Forces Overseas will be distributed at the new building and then delivered to the New York Port of Embarkation Army Post Office, which will occupy adjoining space in the same building.

"The new building with 500,000 square feet of floor space will be one-story in height and aside from the concrete block walls will be of wood construction. Urgently needed workrooms and accommodations for personnel will be provided. 400,000 square feet will be assigned to the New York Post Office for its mail distribution activities and 100,000 square feet will be made available for the New York Port of Embarkation Army Post Office for storage and mail transportation work. It is planned to include a cafeteria capable of accommodating 800 persons at one time.

"The building will be constructed on the site of the former Madison Square Garden Bowl in Sunnyside, Long Island City, on a plot bounded by Jackson Avenue and Northern Boulevard, Gosman Avenue and Madden Street, under the direction of the Corps of Engineers, U. S. Army, of which Colonel A. H. Burton is the Division Engineer. The construction work will be under the direction of Colonel E. W. Garbisch, New York District Engineer.

"The mail handling operations will be conducted, as they are at present, over the 24-hour period daily, with approximately 4,000 persons employed for the normal mail handling operations, and that number will probably increase to 10,000 persons during the period when the Christmas parcels for the Armed Forces Overseas are being handled.

"The project provides space for expansion, when required, of both the Post Office and Army activities as the available plot will permit the erection of additional buildings on two sides of the presently planned structure.

"The plot on which the new building will be erected has been leased from the Pennsylvania Railroad and there will be two railroad tracks into the building to provide for expeditious unloading and loading of mail cars.

"The building must be completed and ready for occupancy by Sept. 1, 1944, in view of the fact that the present volume of parcels and prints has outgrown available space, and shortly after that date patrons will mail Christmas parcels intended for members of the Armed Forces Overseas."

Rathje Endorsed For Vice-President Of ABA

Illinois members of the American Bankers Association, at a caucus May 24 at the Palmer House, Chicago, endorsed Frank C. Rathje, President Chicago City Bank & Trust Co., for Vice-President of the American Bankers Association. Mr. Rathje's name will be presented at the convention in September at Chicago of the American Bankers Association. Mr. Rathje is also President of the Mutual National Bank of Chicago, and is active in State banking circles. The caucus was held in connection with the annual convention of the Illinois Bankers Association, of which Mr. Rathje is a member of the Advisory Council.

Industrial Activity Again Drops In April Federal Reserve Board Reports

The Board in its summary of general business and financial conditions in the United States, based upon statistics for April and th first half of May also reported.

The Board of Governors of the Federal Reserve System announced on May 23 that "industrial production and employment a factories and mines declined somewhat further in April, reflecting principally reduction in output of metal industries. The number of industrial wage-earners was about 6% or 800,000 less than in November, 1943."

Industrial Production

The Board's seasonally adjusted index of output in manufacturing and mining industries was at 240% of the 1935-39 average in April, as compared with 242 in March and 245 in Feb.

Small declines in output of metals and metal products continued to account for most of the decrease in industrial production. Electric steel production decreased further in April to a level 5% below the same month last year. Production of most nonferrous metals declined, reflecting partly planned curtailments and partly the effects of labor shortages in mines and smelters. A further curtailment of aluminum production was announced in May. Activity at plants producing munitions in the machinery and transportation equipment industries declined somewhat in April Production under the farm machinery program continued to increase and was reported at a rate above the highest volume recorded in any peacetime year.

Output of nondurable manufactured goods showed little change in April. Activity at cotton mills was maintained at the level of recent months, approximately 15% below the peak level of April, 1942. As a measure to increase production, a 48-hour work week was ordered in the cotton textile industry, effective May 14.

The number of animals slaughtered continued at an exceptionally high level in April, and effective May 3 most meat products were removed from rationing. Output of dairy products continued to rise seasonally and supplies available for civilians increased.

Mineral production was maintained in large volume in April. Production of both bituminous and anthracite coal for the year through May 6 was approximately 5% more than in the same period in 1943.

Crude petroleum production in April continued at a level about 12% above a year ago. Mine production of iron ore showed a large seasonal rise, reflecting the opening on April 10 of the season for lake shipments.

Distribution

Department store sales declined in April and, after allowance for usual seasonal changes, were about 10% below the high level which prevailed in the first quarter of this year. In the first half of May sales were mainmained and were considerably larger than in the corresponding period of 1943.

Carloadings of railroad freight in April and the first half of May were maintained in large volume. Grain shipments continued to decline from the exceptionally high levels of Jan. and Feb. Ore loadings increased sharply in April and were 60% greater than a year ago.

Commodity Prices

Wholesale prices of most commodities showed little change from the middle of April to the third week of May. Prices of farm products and foods were slightly lower, while maximum prices of some industrial commodities were raised.

The cost of living index advanced ½% from mid-March to mid-April, reflecting higher retail prices for foods and furniture and increased excise taxes effective April 1

Bank Credit

From the end of the Fourth War Loan Drive in the second week of Feb. through the middle of May, demand deposits of individuals and businesses at weekly reporting banks increased by about $3,000,000,000. Time deposits also increased appreciably. During the same period war loan accounts at reporting banks declined by more than $6,500,000,000. Holdings of U. S. Government securities by these banks declined by about $2,000,000,000 and loans contracted by more than $1,500,000,000. A large part of the loan decline was the liquidation of credits extended during the war loan drive. Loans to brokers and dealers are now less than they were before the Fourth War Loan Drive and loans to others for purchasing and carrying U. S. Government securities are down to about pre-drive levels. During the same period commercial loans also declined rapidly.

Sales of U. S. Government securities by commercial banks were paralleled by equivalent purchases by the Federal Reserve System. System holdings are now about $2,500,000,000 larger than they were at the end of the Fourth War Loan Drive. These purchases were made to supply member banks with reserve funds needed to meet a continued increase in currency and the growth in required reserves which resulted from shifts of deposits from Treasury war-loan accounts to other accounts. Some of these needs have been met by a decline in excess reserves. Sharp declines in excess reserves at the end of March and April were associated with unexpectedly large tax receipts and the building up of Treasury balances at Reserve Banks. Currency in circulation, which increased somewhat less rapidly during the first quarter of 1944 than in the same period last year, renewed its rapid outflow late in April and during early May. In the four weeks ending May 17 the currency outflow was over $500,000,000.

NYU Retailing School Employment Plan

A new cooperative arrangement between the New York University School of Retailing and stores in the metropolitan area was announced on May 26 by Provost Rufus D. Smith, Acting Dean of the School, at graduation exercises for 31 garduate students, held following a dinner of students, alumni and faculty of the school at John Wanamaker's, 9th Street and Broadway. Under the new arrangement, Provost Smith said, part-time employment in stores will be made available to undergraduate as well as graduate students in the school and rates of pay will be increased and standardized for all students participating in the cooperative training program. Graduate students will be assured a minimum salary of $16.80 a week for 28 hours of work and undergraduates a minimum of $15.40.

The store work itself, Provost Smith said, is being planned to provide each student with an equal amount of selling and nonselling work. In addition to the store selling work a series of eight field trips will be arranged to enable students to witness the work done at behind-the-scenes departments of stores, the adver-

Vice-President Wallace Leaves On Mission To China Roosevelt Announces

It was made known by President Roosevelt on May 20 that Vice-President Wallace had left that day for his trip to China, undertaken at the request of the President. Mr. Wallace is expected to return about the middle of July. He is accompanied by John Carter Vincent, Chief of the Division of Chinese Affairs, State Department; Owen Lattimore of the Overseas Branch, Office of War Information and John Hazard, of the Division for Soviet Supply, Foreign Economic Administration. Mr Wallace disclosed that he plans to visit Siberia, stopping at the Soviet cities of Novo-Sibirsk, Tashkent, Krasnoyark, Stalinsk, Semipalatinsk and Alma Ata.

Reference to the proposed visit of Vice-President Wallace to China appeared in our issue of April 20, page 1629.

The statement by President Roosevelt issued on May 20 announcing the departure of Mr. Wallace follows:

I have asked the Vice-President of the United States to serve as a messenger for me in China. He is taking with him Mr. John Carter Vincent, chief of the Division of Chinese Affairs, State Department; Mr. Owen Lattimore, Deputy Director of the Overseas Branch, Office of War Information, and Mr. John Hazard, Chief Liaison Officer, Division for Soviet Supply, Foreign Economic Administration.

Eastern Asia will play a very important part in the future history of the world. Forces are being unleashed there which are of the utmost importance to our future peace and prosperity. The Vice-President, because of his present position as well as his training in economics and agriculture, is unusually well fitted to bring both to me and to the people of the United States a most valuable first-hand report.

For the time being nothing more can be said of certain aspects of the Vice-President's trip. Suffice it to say that he will be visiting a dozen places which I have long wanted to see. He left today and will report to me upon his return, which is expected about the middle of July.

At the same time the following statement by Vice-President Wallace was made public:

The President has asked me to visit Asia. The President is a symbol of hope for hundreds of millions of people throughout the world and I am proud to serve as one of his messengers. There will be no press or other public representatives with me. The object of the trip is to let our Asiatic friends know the spirit of the American people and the beliefs and hopes of their Commander-in-Chief.

Asia is just as important to the United States as is Europe. We are fighting a determined enemy in the north, south and middle Pacific. We fight because of Pearl Harbor. We fight to preserve our freedom, and for the democracies of Australia, New Zealand and Canada. We fight so that permanent peace and its blessings may become safe for the half of humanity which has its being on the shores of the world's greatest ocean.

The two great lands of China and Russia are glorious in the present. Siberia is the great arsenal without which the Russian victories over Germany could not have occurred. The Chinese will to survive and to resist has its only counterpart in the defense of Stalingrad, Moscow and Leningrad. If I may carry to these working and fighting peoples of Asia something of the confidence and pride which the American people and their President feel in their magnificent effort, I know the journey is well undertaken.

The truth which China has been writing on the pages of history for 40 centuries is simply that hundreds of millions of peaceful people have never permanently been conquered by war aggression. So shall it always be. The will for peace and to survive on the land has been bred into the Chinese soul. China has never sought to conquer the world. China only has sought and successfully accomplished her aim of work and peace and survival.

A new day opens for this great people. The closed door has gone forever. The day of the aggressor seeking through murder and robbery to break down the Chinese life also is gone forever. The future of China belongs to the world and the world in justice and peace shall belong to China.

Neither the swamps of Burma nor the Himalaya Mountains nor Japanese warships shall stop America from bringing all possible and prompt aid to this great and enduring people. Our President's message to China is just that.

The great Chinese leader Kai-shek has heard from the President directly. My visit is merely one of emphasis so that the hundreds of millions of Chinese people may know that the American will to aid China is permanent and continuous until victory is achieved.

But the Chinese have also the right to know that the American people conceive it a duty and a privlege to work and plan with the Chinese nation for that permanent peace and prosperity of our Pacific Allies which will also make permanent our own peace and prosperity.

It is with great anticipation that I approach the Siberian experience. This country embraces one-eighth of all the land of the world. Under the Tsars it miserably supported less people than the State of Pennsylvania—a one-hundredth of its size.

A scant 25 years have passed. Over 40,000,000 busy people have taken the place of the 7,000,000—mostly convicts — who miserably existed there under Imperial Russia. So the detractors of Russia must pause before the fact of the Soviet Asia of today.

Soviet Asia in American terms may be called the wild east of Russia. America after the Civil War developed her wild West, pushing triumphantly to the Pacific—creating what Los Angeles, San Francisco, Portland, Seattle and Denver mean now. The Soviet Asia cities of Novo-Sibirsk, Tashkent, Krasnoyark, Stalinsk, Semipalatinsk and Alma Ata are equally well known in Moscow and Leningrad as American West Coast cities are known in Washington and New York.

I shall see these cities. I shall feel the grandeur that comes when men wisely work with nature. Upon my return I hope to contribute something to American understanding of today's Asia as well as detailed information for the President.

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tising production department of a large newspaper, etc.

John E. Raasch, Vice-President of John Wanamaker and a member of the council of New York University, also spoke at the graduation exercises which were presided over by Samuel W. Reyburn, Chairman of the Board of Trustees of the School of Retailing and former Chairman of the Board of Directors of the Associated Dry Goods Corp.

Pugsley To Join Spellman

Benjamin F. Spellman, former law partner of the late United States Senator Charles A. Towne, announced that as of June 1 Chester D. Pugsley, former banker and authority on International affairs, will become associated with him at 115 Broadway in the general practice of the law, specializing in banking and international law.

Eccles Price Control Views Held To Hint End Of Roosevelt Administration

In making the statement that study of details of the transcript of testimony of Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, in favor of acting now to extend price control legislation for two years after the war, led Republican leaders on May 15 to detect a hint that, in the back of this veteran New Dealer's mind, at least, there was a doubt that the Roosevelt Administration would be continued in office in the November elections, according to advices to the New York "Herald Tribune" from its Washington bureau, which also had the following to say:

That part of Mr. Eccles's testimony which aroused speculation read, "If it (Office of Price Administration legislation) is only extended for a year, as I see it, there is certainly a great element of uncertainty on the part of any thinking people—people who are making investments or commitments. There is a feeling of uncertainty — certainly as to what the next Congress is going to do or what the next administration is going to do or whether the inflationary force will be such that it will not be met.

Mr. Eccles made the statement last Wednesday (May 10) during his appearance before the House Banking and Currency Committee which is studying extension of the present controls.

Chester Bowles, Price Administrator, testifying today before the committee, also spoke in favor of extending the OPA legislation, but he made it clear that he did not favor its continuing for very long in the post-war period.

House Passes GI Bill Of Rights In Behalf Of Veterans Of Present War

Bill Differs From That Passed By Senate

The House passed on May 18, by a vote of 387 to 0 the measure generally known as the "GI Bill of Rights" providing for "Federal Government aid for the readpustment in Civilian Life of Returning World War No. 2 Veterans." The bill was passed by the Senate on March 24 by a vote of 50 to 0, with 46 not voting. At that time (March 24) advices from Washington to the New York "Times" said:

Announced positions of absent members indicated that a full vote would have been 96 to 0. In effect, the bill had been passed before it reached the Senate floor, as it bore the signatures of 81, with others complaining today that they had not received an opportunity to be active sponsors.

Formal Senate approval came after the measure endorsed by the American Legion and the Veterans of Foreign Wars and by many labor organizations, had been under consideration less than an hour.

Most of the questions put to Senator Bennett C. Clark, Democrat, of Missouri, who introduced and handled the bill, were for the purpose of clarifying its many provisions and of voicing approval of the program.

Estimates of the cost of the measure have run from $3,000,000,000 to $3,500,000,000, but they are concededly vague pending the time it is known how many veterans, men and women, will receive the benefits.

The bill had been approved unanimously on March 17 by the Senate Finance Committee.

The House passed the bill on May 18 after rejecting an amendment which would have prohibited unions from requiring that veterans hold a union card to work in a "closed shop." This was indicated in Associated Press accounts from Washington on May 18 which further said:

Before sending the measure back to the Senate for action on a score of amendments, the House raised from $1,500 to $2,500 the maximum of government-guaranteed loans to veterans, refused to increase the period of unemployment compensation coverage from 26 to 52 weeks, and rejected amendments to reduce loan interest rates from 6 to 4% and to strike from the bill a ban against payment of unemployment benefits to veterans who engage in strikes.

The labor issue was injected into the debate shortly before passage by amendments offered by Reps. Marcantonio (Am.-Lab., N. Y.) and Smith (D., Va.).

Marcantonio sought to strike from the measure a ban against payment of unemployment benefit to veterans who engage in work stoppages resulting from labor controversies. The ban, he told the House, was "anti-labor in scope and concept."

The New Yorker's proposal to eliminate the language was rejected by a standing vote of 122 to 28.

Smith's amendment would have made it illegal for anyone to "demand or receive any money or other thing of value from any veteran as a condition of unemployment, or require his membership or non-membership, in any organization, as a condition of employment."

It was rejected by a standing vote of 112 to 19 after Rep. Marcantonio and others assailed it as "the open shop amendment" and a move toward "exploitation of veterans."

From the Associated Press we also quote:

As passed by the House, the bill provides these benefits for veterans:

Twenty-six weeks of unemployment compensation at $20 weekly (the senate provided for 52 weeks at rates ranging from $15 to $25 weekly.)

The right to attend schools of their own choice for a maximum of four years at government expense provided tuition and other fees do not exceed $500 annually; qualified veterans without dependents would receive $50 monthly for subsistance while in school, with $75 for those with dependents; however, veterans who were over 24 at the time of entrance into service would be required to show that war service had interfered with their schooling or that they were in need of a refresher course. The veteran would be allowed to attend a college, trade school or vocational school of his own choice, provided it was approved by state educational authorities or the veterans administration.

The Senate bill contained no requirement that the veteran show that his education was interfered with by his war service.

The loan provisions of the two measures differ sharply. The Senate authorized the veterans administration to make loans up to $1,000, for home purchase or construction, for the purchase of a farm or farm equipment, or for business purposes. The House decreed that the loans be made by usual lending agencies, with the veterans administration guaranteeing repayment of 50% of the principal up to a maximum guarantee of $2,500.

Chairman Rankin (D., Miss.) of the veterans committee estimated total cost of bill at $6,510,000,000.

Broderick Named To N. Y. U. Governing Bd.

Joseph A. Broderick, President of the East River Savings Bank, has been elected an alumni member of the New York University Council, Governing Board of the Institution, it was announced on May 25 by Chancellor Harry Woodburn Chase.

Dr. Chase made his announcement at the annual Medallion Alumni Dinner at the New York University Faculty Club, 22 Washington Square North, where Mr. Broderick, President of the Medallion Alumni Association, presided. The election is to a four-year term under a plan instituted several years ago to foster broader alumni participation in the direction of the University.

Five prominent alumni selected to receive the 1944 Alumni Meritorious Service Awards were honored at the dinner for "distinguished service to the University." They were: Myron J. Greene, '26, attorney; Dr. Laura Brooks Harney, '28, '31, '39, Principal of the Pennington School, Mt. Vernon; George H. Hauser, '17, Vice-President of Liberty Aircraft Products Corp.; Benjamin A. Ross, '25, Alumni Secretary; and Dr. Jacob Shapiro, '13, dentist.

Mr. Broderick was New York State Superintendent of Banks from 1929 to 1934 when he resigned to become a member of the Board of Governors of the Federal Reserve System. He has been President and Trustee of the East River Savings Bank since 1937. A graduate of the New York University School of Commerce, Accounts and Finance in 1906, Mr. Broderick received the Alumni Meritorious Service Award in 1936.

Mr. Broderick is a member of the Council of Administration of the New York State Bankers Association; represents his State on the Nominating Committee of the American Bankers Association, and is a Governor of the Bankers Club of America. He is a member of the Advisory Committee of the New York Chapter of the American Institute of Banking. He is an honorary member of the National Association of Supervisors of State Banks and the American Institute of Banking.

Living Costs Up In Industrial Cities Conference Board Reports

The cost of living for wage earners and lower-salaried clerical workers in April rose in 57 of 63 industrial cities surveyed by the National Industrial Conference Board. Living costs were lower in 4 of the cities, and remained unchanged in 2 of them, said the Board on May 22; it added:

The largest gain, 1.9%, occurred in Cincinnati. In 9 other cities the increase was 1.0%. The largest decline, 0.5%, occurred in Denver. For the United States as a whole, the cost of living was up 0.7%.

Living costs were higher this April than in April, 1943, in 28 cities. Toledo recorded the largest increase during the 12-month period with an advance of 2.2%. Thirty-five cities showed declines. The cost of living for the United States as a whole stands 0.1% higher than a year ago, and 21.0% above January, 1941.

Appraisal Of Congressional Transportation Policies

(Continued from first page)

of the Interstate Commerce Act and revision of the statutory rule of railroad rate-making. Former President Coolidge died before the report was completed, and former Governor Smith presented his views in a separate memorandum in which he generally agreed with his associates but expressed the view that the effect of air, water, pipe and highway lines had been exaggerated.[4]

This was followed by a long series of investigations conducted or sponsored by public authority in an effort to ascertain the factors which were interfering with the healthy condition of the agencies of transportation, and to provide remedies. From 1933 to 1940 we had the several investigations and reports of the Federal Coordinator of Transportation which covered a wide range of subjects. In 1937 there was the study prepared by the Brookings Institution on "Government Activities in the Field of Transportation", printed as a report to the Select Committee to Investigate the Executive Agencies of the Government, under the chairmanship of Senator Byrd.[5] In 1938, two committees appointed by the President of the United States investigated transportation difficulties and reported proposed remedies. The first was the so-called Committee of Three, consisting of Chairman Splawn and Commissioners Eastman and Mahaffie of the Interstate Commerce Commission,[6] which was followed by the Committee of Six, consisting of three railroad presidents and three heads of railroad labor organizations. In 1940 the Board of Investigation and Research, which was created by the Transportation Act of 1940, began a study of the whole field of transportation and has since made some preliminary reports. Its appropriation has been practically exhausted and its life will expire in September of this year. In 1942 the National Resources Planning Board submitted to the President a large volume containing its report on "Transportation and National Policy." Some of the economic discussions, particularly those prepared by economists loaned by the Bureau of Agricultural Economics, U. S. Department of Agriculture, were pointed in the direction of government ownership and operation of all agencies of transportation. The recommendations of the Board were more moderate and less incisive. It did, however, advocate the creation of a new authority, the National Transportation Agency, to coordinate all transport forms and facilities and to supervise regional consolidations of railroads.[7]

Failure to solve the problems of transportation has not been due to insufficiency of effort, so far as investigations and reports are concerned, or to a lack of variety of proposed remedies. Running through them all is the basic proposition that physically and financially sound transportation companies providing each of the several forms of transport are essential to the economic welfare of the nation. Some of these investigations were followed by legislation, such as the Acts of Congress which have brought motor carriers, waterways and freight forwarders under the jurisdiction of the Interstate Commerce Commission. In other instances, relatively little of a practical nature has thus far resulted. Primarily these investigations were the product of the financial disaster which affected the railroad industry, precipitated in part by basic economic trends and in part by the growth of competitive forms of transportation, both of which were emphasized by the great depression ushered in by the stock market crash of October, 1929.

Footnotes appear at end of article.

Federal Regulation After 1920 Designed to Foster Transportation

At the end of the first World War, the railroads, which, aside from a small amount of waterborne traffic, were providing virtually all of our domestic intercity transportation, urgently felt the need of relief from purely restrictive regulation. It has often been pointed out that in the beginning federal regulation was set up to cope with abuses which were the product of competition rather than of monopoly, whereas state regulation, which had been first in the field, had been directed primarily toward the reduction of rates. Both, however, were intended to restrain the railroad managers. In the one case, the restraint was to be against rate and service discrimination being utilized to augment the traffic of one railroad at the expense of its competitors; and in the other, to keep the transportation charges at a low level, that is, to restrain monopoly.

With the long upward trend of wage rates and material prices which began some time about the turn of the century, the railroad industry was compelled to cope with increasing unit costs. These costs the railroads succeeded in offsetting in large measure by efficiency of operation, including the development of new techniques and devices, until the impact of the World War. Then further and more drastic increases in the costs of labor and materials, together with the public demand, following the war, for a termination of federal control of railroads and their return to private operation, brought into railroad regulatory legislation a new concept. This was epitomized by the Transportation Act, 1920, which the Supreme Court said was designed to foster and protect the railroad industry in the public interest. This concept has since been repeated in various forms in legislation affecting other agencies of transportation. The 1920 Act itself had declared it "to be the policy of Congress . . . to foster and preserve in full vigor both rail and water transportation."[8] In the 1940 Act, this was expanded to provide "it is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantages of each."[9]

During the decade which has just closed there have been three important Acts of Congress to further the national policies as stated at the outset of this paper. The Emergency Railroad Transportation Act of 1933, in addition to setting up the Office of Federal Coordinator of Transportation for the study of all phases of interstate transportation within the continental United States, was designed immediately to reduce railroad costs through the coordination of facilities.[10] It was motivated by a desire to help railroad finances in the severest depression experienced up to that time. This coincided with a period of widespread unemployment and suffering among workers. The elimination of waste and duplication of railroad operations meant also, of course, the elimination of labor. To ameliorate this, a legislative restriction was placed upon any reduction in railroad employment by reason of action taken pursuant to the authority of the new Act. As a result, the Act largely failed of any outstanding tangible result except for the issuance of a series of important reports by the Coordinator, which were in part the basis for the enactment of the Motor Carrier Act of 1935 and the Transportation Act of 1940.[11] The first of these brought the regulation of motor carriers, both as common carriers and as contract carriers, under the jurisdiction of the Interstate Commerce Commission.[12] Their right to operate was conditioned upon securing certificates of convenience and necessity. The Commission was given authority to determine the reasonableness of their rates, both maximum and minimum. The second, the Transportation Act of 1940, among other things, gave the Interstate Commerce Commission jurisdiction over domestic common and contract water carriers, similar in fundamental aspects to that previously applied to railway and highway carriers. It included water carriage both on the inland and coastal waterways, and provided for the regulation both of the right of entry into the transportation field and of the maximum and minimum rates. Two years later Part IV was added to this Act, bringing freight forwarders also under the jurisdiction of the Commission.

Meanwhile, Congress enacted the Civil Aeronautics Act of 1938, which broadened federal regulatory powers over air commerce and centralized them in a new administrative agency, the Civil Aeronautics Authority.[13] In 1940 this was divided by executive order into two distinct agencies within the framework of the Department of Commerce, being the Administrator of Civil Aeronautics and the Civil Aeronautics Board. Until the past year the Civil Aeronautics Board was largely concerned with international flying and with a relatively small number of extension applications, miscellaneous matters and mail pay proceedings. Almost overnight the Board was flooded with applications for certificates, so that it now has undisposed of nearly 500 certificate applications. This enourmous task must bewilder even the Board members themselves. Some of the issues concern foreign flying, the place of surface carriers in both foreign and domestic flying, the sharp contest for additional routes between the socalled Big Four and the smaller carriers, and the rather sudden emergence into the picture of rotative wing craft. All of this in essence revolves around the scope and place of the airplane in the post-war scheme of transportation, and the relationship of air transportation to other forms.

The basic inequality resulting from failure to regulate competitive agencies of transportation, which the railroads criticized so violently in the years following World War I, has been ameliorated in the last decade by these statutes which subjected motor carriers, water carriers, freight forwarders and air carriers to regulation. The national transportation policy has been declared in the Transportation Act of 1940 to embrace fair and impartial regulation of all modes of transportation. In the case of water carriers, however, exemptions from regulation have been made as to a substantial part of the traffic moving on inland waterways, even when transported by common and contract water carriers. Time alone can determine whether these exemptions are in the public interest and should be continued. Generally, however, the situation as to transport regulation which will exist when the present war is over promises to be vastly different from the situation which followed World War I. At that time the railroads alone were subject to regulation, while their competitors were free from all regulatory restraint. In the sharp and probably bitter competition for traffic that will follow World War II, all these agencies of transportation will find themselves engaged in that competition under a pattern of federal regulation, except as to the exemptions of certain traffic carried by the water lines.

Three Problems Confronting Transportation in Post-War Period

Domestic transportation in the post-war period will present for early determination three important issues of fundamental public policy. Perhaps there will be others. These three, however, are: (1) Shall regulation of all forms of transportation be entrusted to a single agency, or, if not, what means of integration, if any, shall be provided? (2) Shall subsidies be extended to any of the several forms of transportation, and, if so, under what conditions and limitations? (3) Shall competition between transportation agencies be required by law, and the regulating process in respect to the prescription of minimum rates be restricted?

I am quite clear in my own mind as to where the public interest lies in these three matters. A single regulating agency should have jurisdiction over all forms of transportation; otherwise there will inevitably be competition between the regulating bodies themselves to advance the interests of the particular form which each one regulates. Likewise, to subsidize some carriers while requiring others to bear their full costs cannot in the end result in healthy conditions. If promotional subsidies are to be provided during a development period, it seems to me that it would be in the public interest to permit the older carriers to participate in the development, and to own and operate the new forms to some extent, at least, as a part of an integrated or total transportation service. Finally, public regulation rather than free competition between common carriers should be relied upon to protect the public interest.

Regulation of Transportation Should Be By Single Federal Body

On logic, it is difficult to make out a case for a regulating authority for domestic air transportation separate from the other forms. If it be granted that we are to continue a national transportation policy of promoting and fostering adequate transportation furnished by private corporations at rates regulated by public authority, the most orderly way of accomplishing the desired results would be to entrust regulation to a single public body. Separate regulating agencies have been discarded in the beginning or later abandoned in respect to all other competing forms of transportation: the motor carrier on the highway, the water carrier engaged in inland or coastwise transportation, the pipe line and the freight forwarder. All of these have been brought within the jurisdiction of the same federal body, the Interstate Commerce Commission. It is hard to believe that there are technical characteristics of air transport which make it more difficult to regulate than in the case of the railroads themselves or any of the other forms of regulated transportation,[14] although the Commission would have to adapt and equip itself to provide intelligent and efficient regulation in this new and unfamiliar field.

It is significant that the present war-time control recognizes no difference between the several forms of transportation. The Office of Defense Transportation has jurisdiction over all domestic transportation, including the water carriers, the trucks, buses and private automobiles, the local transit systems, the pipe lines and the air carriers, and, to some extent, over storage facilities. Being derived primarily from the war power, it extends also to intrastate as well as interstate operations, and to private as well as to common-carrier or contract-carrier service.

The objection sometimes made that the Interstate Commerce Commision is railroad minded, and therefore should not be given regulatory power over a newly developing form of transportation, is disproved by events. Motor carriers and water carriers have been placed under the jurisdiction of the Commission. No serious complaint may be recorded of the manner in which that body is carrying out the mandate of Congress to provide fair and impartial regulation of the several modes of transportation so as to recognize and preserve the inherent advantages of each.

Preliminary, however, to providing for future regulation of air transport by the Interstate Commerce Commission, there should be re-examined the proposal for the reorganization of the Commission which Mr. Eastman made ten years ago in his capacity as Federal Coordinator of Transportation.[15] Inadequate consideration was given to this proposal at that time. This was due in part to the opposition of the Commission to the proposal,[16] and in part to a lack of urgent sponsorship for the necessary legislation. The conditions which transportation will face in the post-war world make some such reorganization of the Commission now much more important than it was when Mr. Eastman first made the proposal. In this connection permit me to observe that the series of reports, decisions and public addresses which Mr. Eastman made during the last ten years of his life reflect the considered judgment of a profound mind. The series of principles enunciated will be found applicable to many of the great issues affecting transportation in all forms, and will be looked to in the future even more than they have been in the past in helping to determine perplexing questions of national transportation policy.

The proposal for reorganization of the Commission was that it be enlarged from eleven to fifteen members, who would be assigned to different divisions or sections with separate jurisdictions. Ultimate responsibility for regulation, however, would be vested in a Control Board consisting of five members, being the chairman of the Commission and the chairmen of each of four designated divisions. As originally proposed, these would have been a railroad division, a water and pipe line division, a motor and air division, and a finance division. The Control Board would determine all matters of general regulatory policy which should be binding upon the divisions.

With the successive enlargement of the Commission from its original membership of five to seven, then to nine and finally to eleven members, there has been a marked tendency to prolong deliberations and invite diversity of opinions in decisions. Obviously, a centralization of authority and responsibility in a smaller body would promote expedition and efficiency.

It is sometimes urged that the popular esteem and public approval which the Commission has long enjoyed are due in considerable measure to its careful consideration of problems presented for decision. But sometimes delays become intolerable. While on the whole the Commission has done surprisingly well with the manifold tasks imposed upon it, there has been a pronounced tendency, especially with the assumption of new responsibilities in recent years, to slow down the whole regulatory process. Something of a fairly radical nature should be done to alter this trend, especially if the Commission is to regulate all forms of transport.

Surely, such a reorganization is more desirable than proposals which have been made from time to time in varied forms during the past twenty-five years of creating another transportation authority, to be placed either under the direction of a newly created cabinet position or under the authority of an existing cabinet officer, such as the Secretary of Commerce or the Secretary of the Interior. Such a method would make the whole matter of transport regulation one of political consideration. This would be quite different from regulation by an independent body which, in the fifty-seven years of its existence, has established a reputation of integrity, fairness and impartiality frequently referred to as a standard for other commissions.

Quite probably, if the present development of air transportation had existed when Mr. Eastman made his proposal for reorganization of the Commission, he would have recommended for it a separate division of three or five members. This could be accomplished quite readily within the original framework of the plan by substituting such a division for the originally proposed division of finance. The work of the latter division could then be placed under the direct jurisdiction of the Control Board, and administered through a bureau organization. Such, however, are matters of detail, and not fundamental to the basic purpose of reorganization. The work which has been accomplished by the Civil Aeronautics Board during the past four years could be preserved. One excellent method would be to incorporate into the Commission the staff and organization of that Board and in effect to convert it into the division which would regulate air transport.[17]

In reorganizing the Interstate Commerce Commission and enlarging its powers so as to make it the transportation commission, every effort should be made to keep politics from influencing its decisions, and to continue to attract to membership men of outstanding competence, independence and intelligence. They should be as well qualified as are the executives of the industries which are to be regulated. A requirement should be placed upon the President to nominate only such men as would conform to designated specifications, they should be chosen for twelve-year terms, and they should be paid salaries of at least $15,000 and preferably $20,000 each. Their independence should be assured by a definite pension arrangement. In other words, suitable provisions should be made to attract men of intelligence and sound character to this public service as a career. There is nothing novel about these proposals. Congress has provided that members of the Federal Reserve Board, whose responsibilities can certainly be no greater, shall receive annual salaries of $15,000 and serve for terms of fourteen years. The independence of the federal judiciary has been safeguarded by pensions upon retirement for disability or at the age of seventy years, judges who have served ten years being entitled to their full salary for the remainder of their lives, and those with a lesser service, to half salaries.

With such a reorganization of the Commission, including provisions to insure its quality and efficiency, the regulation of all forms of transportation on a national basis would be made entirely practicable. The public would reap the benefits.

Subsidies Should Be Restricted and Common Carriers Permitted to Provide All Forms of Transportation

The second vital consideration of public policy applicable to post-war transportation is the matter of subsidies—whether subsidies shall be extended to any of the agencies of transportation and, if so, under what conditions and limitations. These are matters which Congress and not the regulating agency should determine, although regulation must take account of such subsidies as may be provided. During the decade of the twenties, when the new competition of motor carriers and water carriers was making itself felt, and especially during the depression decade of the thirties, the railroads challenged as unfair all public aid to their competitors. They asked that the motor carrier be required to pay on a user basis its share of providing and maintaining the roadway on which it operated, and that the true cost of water carriage be directly reflected in the rates of the water carrier, if operated as a common or contract carrier, or in its costs, if privately operated. They demanded a cessation of all transportation subsidies.

Footnotes appear at end of article.

The tremendous sums which have been spent by the public in the construction of highways, especially by the states, are well known. There is now considerable talk of further large scale construction at public expense in the post-war period to provide employment for returning service men. Large expenditures of federal funds have been made over the years for inland waterway development and in the field of coastal, intercoastal and foreign shipping, through construction and operating subsidies, the training of personnel, and in other aids to navigation, such as the maintenance at public expense of lighthouses and lightships, and the various hydrographic services. This is not essentially different from the aid extended to airway development through the maintenance of beacons, teletype circuits for weather reporting and traffic control, radio range and communication stations and lighted intermediate landing fields, together with extensive federal aid in airport development. Subsidies through added compensation for transporting mail differ only in degree and form.[18]

Public interest in enlarged transportation facilities of all kinds is advanced as justification for the use of public funds to encourage new forms during their development period or to preserve existing forms against threatened discontinuance, especially where they are deemed essential for peace-time economy or for national defense. No measuring stick has been suggested to determine the appropriate extent of such subsidies, or the period for which they should be provided. Administrative agencies generally, however, have recognized the fact that private capital cannot in the long run compete with public capital.[19] Just as under Gresham's Law bad money drives out good, so in competition with a subsidized transportation, those common carriers which bear their full cost will be driven to provide facilities and service which are less and less responsive to the needs of the public.[20]

The problems of regulation itself are made exceedingly complex by public grants and subsidies.[21] On the one hand, it is demanded that regulatory authorities should see to it that the subsidized agency passes on to the public some measure of benefit through rate reduction. On the other hand, the regulators are not infrequently called upon to decide how far the self-supporting carrier should be permitted to cut its own rates to meet the competition of the agency whose costs are borne in part by the public.[22]

"Relative economy and fitness" of the different kinds of common carriers furnishing transportation, and "the methods by which each type of carrier can and should be developed to provide a national transportation system adequate for commerce," were two of the objectives which Congress in 1940 directed the Board of Investigation and Research to determine.[23] We have already observed the notable advance in equality of regulation in the last decade in respect to all forms of common carriage and, to some extent, to service performed by contract carriers. The railroads have contended that true equality can exist only when the rates of every form of transportation, taken as a whole, reflect all the costs incurred in performing the service. They have declared that the division of function among competing forms is bound to be artificial so long as the rates of one carrier reflect its full costs while the rates of other and competing carriers reflect only a part, with the remainder made up by public aids and grants. To remedy this, they have advocated tolls in the case of the waterways, and the payment by motor carriers for the cost of highway construction and maintenance, either on a user basis or through special taxation.

While it may be a vain hope on the part of those carriers which are meeting their full costs that the public will cease to subsidize new forms of transportation in their development periods, or to preserve them from destruction, it is at least essential that such aid should be confined within narrow limits. Also, if the public interest is deemed to require subsidies to develop or preserve particular forms of transportation, the full-cost carriers should be permitted to participate in such development or preservation through coordination and integration. In other words, if motor transportation or coastwise navigation or air transport is so vitally necessary to the nation, then the railroad companies should not be prevented from assisting in the process of promotion by utilizing these new forms as a part of the total service which they offer to the public. They should be permitted to participate in changing styles and methods of transportation—in a word, to become transport companies rather than merely carriers by railroad, highway, pipe line or airway. Not only is this desirable as a matter of justice to the existing agencies themselves, but even more important is the fact that by utilizing the newer modes and methods, the older carriers (which cannot be dispensed with) are strengthened and preserved for the public service.

There could be only two reasons for denying such an opportunity. The one would be the fear that an existing form, the railroads for example, would utilize highway, water or air transport only for the purpose of throttling and ultimately destroying it. Adequate regulation wisely administered could safeguard against this. There is no necessity to use total prohibition as the remedy, which was done with unfortunate results in an earlier day in respect to railroad ownership and operation of water carriers. Under the Act of 1912, Congress forbade railways to have any interest in water carriers operating through the Panama Canal, or to retain ownership of water lines on the Great Lakes and in coastwise traffic, unless the Interstate Commerce Commission found that competition was not reduced thereby. As a result, common carrier service virtually disappeared from the Great Lakes and was greatly diminished on coastwise traffic. So severe was the decline that the Commission, in 1917, recommended that the Act be modified so as to permit continuance of railroad ownership of water lines for the convenience of the public, even though such ownership might reduce competition on the water route. Congress did not comply, and the Pennsylvania, Lehigh Valley, New York Central, Rutland, Erie, Grand Trunk and Lackawanna were compelled to dispose of their lake lines. In fact, the railroads succeeded in retaining nothing on the Great Lakes except car ferries, and common carrier service such as had previously existed was never restored. The public lost the benefit of low cost transportation.

The other possible reason for total exclusion of existing carriers from air and highway transportation would be a belief that the greatest good is to be found in building up strong competitors, in part at public expense, so as to beat down the rates or stimulate improvements of service of the older carriers, which are meeting their full costs out of rate receipts. If this is a sound principle, then the restriction of the older forms to their own type of transportation may be justified. Under such a concept, the railroad, for example, could only utilize air transport by totally abandoning all its railroad operations and thereafter becoming an airline. In fact, in the Atlantic Monthly for November, 1943, Mr. Grover Loening, Technical Adviser on Aviation to the War Production Board, recommends exactly this. Keep out of the air, says he to the railroads, the motor carriers, and the steamships, unless you are ready to transfer your entire capital, personnel and experience "whole-heartedly into the new air field by making yourself (itself) an all-out air company." This means simply that there shall be no integration and no coordination. The law of the jungle is to operate aided by public subsidies until finally the older carrier, unlike the leopard, changes its spots and engages in the development and operation of the newer form of transport at the price of abandoning its entire previous operations.[24]

The whole matter of subsidies for development and preservation of transport facilities is closely tied into the matter of integration and unified operation of all forms of transportation. What the public really wants in the final analysis is a maximum development of all kinds of transportation, to the extent economically sound. It wants efficiency, certainty and expedition, and its wants to avoid exploitation. This in the end means highly integrated and coordinated transportation on a national basis. Only through a true amalgamation of all the forms of transportation can the common carrier have available and utilize that form which is most appropriate from the standpoint of cost or service to the particular carriage at hand. This principle, in fact, seems to be the one which is being applied in England. Participation in the development of air transport by steamship and railroad companies has been welcomed there so long as they have not been given powers to freeze out the newer form. As was recently stated by Mr. Peter Masefield, Aviation Editor of the London Times and Adviser on Civil Aeronautics to Lord Beaverbrook: "The British shipping lines are taking a great interest in air transport. Contrary to the American point of view, few people in Great Britain see in this any attempt to strangle air commerce." Such also has been the view in Canada, although it is reported that the Minister of Munitions and Supply, who has jurisdiction over civil aviation,[25] has announced that after the war the Canadian Pacific must cease to operate airlines. This, to be made effective, would require statutory change, and would also involve grave issues of competitive relationship between the Canadian Pacific and the Canadian National Railways, inasmuch as the proposal is simply to transfer the latter's air lines to another government department while requiring complete divestiture in the case of the Canadian Pacific.

Unless the older forms of transportation are permitted to participate in the development or preservation of the newer forms through such coordination and integration, they are in for a battle royal, and one of their first lines of defensive attack must be to oppose with all the resources at their command the granting of any further subsidies or public aid to their competitors. If it is not a soundly coordinated scheme of integrated transportation which the public ultimately wants, but simply the survival of the fittest, then the same rules and regulations should be applied to all competitors. Each should be required to cover its full costs on a user basis by the revenue which it receives from its ratepayers.

Congressional Policy Should Be Based Upon Public Regulation Rather Than Compulsory Competition

This discussion brings us to the third problem of post-war significance which was stated earlier in this paper: "Shall competition between transportation agencies be required by law, and the prescription of minimum rates be restricted or abolished?" The question relates directly to the recent activities of the Department of Justice in attacking the rate bureaus of the rail and motor carriers as violative of the anti-trust statutes. Regulated monopoly as opposed to enforced competition is among the topics listed on the program of this meeting to be discussed by other speakers. It is probably the most vital of all subjects relating to the future of transportation. On its solution will probably depend not merely whether there are to be coordination and integration of transportation services and facilities, but whether in the end adequate transportation, at reasonable and nondiscriminatory rates, can continue to be provided by private corporations privately operated under public regulation. As Mr. Eastman pointed out in 1940 at the Philadelphia meeting of the American Economic Association: "Such a struggle for existence would not be maintained by intelligent human beings in the absence of compulsion. Left to themselves, sooner or later they would begin to trade and combine. The alternatives to an attempt to abate the abuses of competition by public regulation are, therefore, either to compel competition to be maintained in full force and vigor until only the fittest survive, or to permit the carriers to work out a state of peace in their own way through an admixture of throat-cutting, trading and combination. Neither of these alternatives [and I am still quoting from Mr. Eastman] appeals to me as likely to produce satisfactory results, and therefore I see nothing to do except to continue and improve, if possible, the policy of regulating competition in transportation to which the country is now quite firmly committed."

I cannot conclude this discussion of national transportation policy without quoting two additional statements from one of the last addresses made by Mr. Eastman, being at the annual meeting of the American Economic Association in Washington on Jan. 24, 1944. In speaking of the performance of all forms of transportation during the present war period, including the maintenance of earnings, which he characterized as "extraordinarily good," he said: "The greatest contributing factor to this excellent performance, I am sure, has been the circumstance that managament and operation has been left in private hands."

As to the future he declared: "The role of the government, while it will shrink after the war is over, will continue, I believe, to be considerably greater than it was before the war, and problems of tremendous scope and difficulty will be involved. The government will, of course, deal imperfectly with these problems, for everything human is imperfect, and I sometimes fear that it will not even deal with them well. No doubt that is merely the pessimism of age. For what it may be worth, however, my judgment is that to deal with them well, we must have a better informed and better disciplined citizenry and public officials with a higher

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The Meaning Of Freedom

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have a lot to learn. I think that what we have to learn from abroad is in the way of what not to do and not in the way of what to do. For if the cultures of Europe and Asia have brought them to their present pass, we have nothing to learn from them. So I am thinking and I would ask you to think about the moral basis on which this country is going to operate after the war. We hear a great deal about post-war planning, full production and full employment. These questions are all materialistic. But what about the individual? Where is he going to get off? Or has he vanisned entirely?

We are in an era of controlled economy. It is said, and for the purposes of this evening I will grant, that these controls are needed for the war. We are being told that controls are not in the American spirit, but that we must ease out of them and that chaos would follow their sudden ending. Some of those who advise us to go slowly have records of achievement in business and finance and therefore would seem to speak out of experience.

But by the very nature of our present controls we cannot ease out of them. We can only ease into permanent control and the kind of society in which the individual never has a chance to express himself. For one control breeds another. We have already seen how quickly price control leads to subsidy. And also we are witnessing how price control brings artificial gluts and shortages. Every housewife is becoming a ration-coupon speculator and in a measurable time we shall have to eat on a fixed quantity schedule. The next step must be forced labor, for in a controlled society it is out of the question for the individual to determine either the kind or the amount of labor he will contribute. Then we shall have exactly the same sort of freedom from want and from fear that the lifer enjoys in his cell.

For, although control is not a harsh word, economic control by its very nature must be harsh, because really it means the substituting of bureaucratic discretion and in the end the individual must be deprived of his responsibility and his dignity. We shall have to decide whether we want to be Americans and have government of our own choosing or be something else. There is no half-way point in human dignity and responsibility. It either is or is not.

The control mania—I cannot use a nicer word—has struck the sciences. Every few years a group of sincere and good men, as in a cycle, comes out with the recommendation that all advancement should be in the control of a single group of scientists.

The decisions recommended by them would govern our future development. Chemistry and physics offer possibly greater opportunity for the expression of new ideas than any of the other sciences. Each scientific brain has an approach or a way of looking at things that is entirely its own. Using this brain power can bring about greater results than could possibly be achieved by a wiser Solomon than has ever yet appeared.

Can you conceive what would happen if any group of scientists—no matter how able—were made the masters of research and discovery—if their composite experience were to make all the decisions? We discard the very thought as nonsense.

An idea, no matter how weird, may grow into a constructive thought and enlarge to a new approach. Then a new industry is aborning. Experience, ideas, research—all accumulate and produce a new approach or a new product or a new thought. Each borning is cherished by the one seeing the vision and is often communicated to others, but these visions are things coming only to those who have prepared themselves to accept them.

My own experience in research is such that I would dread the day when the bright spark of the young man who is searching the infinite might find himself in a thought prison with a keeper—no matter how well-intentioned and sympathetic that keeper might be. You all know that the best known and ablest of our authorities turned down the making of the cyclotron as useless. My company is making bromine from sea water, but, before finally getting under way, it was conclusively demonstrated, not only once but three times, that it could not be done. And lest I seem to be taking on airs, I will tell you that some years ago I maturely decided that, although the future of magnesium was unlimited, it would always be a specialty metal. But even at our present prices it is by volume among the cheapest of metals. We have learned that if a research laboratory is to produce results, the men must be allowed the freedom to be a bit crazy. If we were to control closely, we would miss the great idea that is found only by those with the courage to be crazy.

Chemistry and physics stand out nobly in the modern world of science. They are ever ready to give much and to accept little in return—which is the reverse of the modern world where the tendency is to receive all and give little. We are now in a terrible war—a war of complete destruction or maybe even elimination. Have we, as scientists, failed in our effort to humanity and permitted the operation of forces to work against instead of for civilization? Have we listened to the wrong teachers, to pedagogues of a wrong theology? Have we not been inspired by wrong thinking and gotten our quanta of energy confused with the molecules? Have we forgotten the only being worth remembering—the individual human being?

This is briefly what we have done. We have permitted the fostering of ideas our intelligence says are wrong. By pretending a knowledge we do not have, we have duped ourselves into false security. There is only one security and that grows out of the individual thinking for himself and that honestly and sincerely. This we know. But we are discarding all of our experience, traditions of past prosperity and our entire knowledge of success with individualism. We are, in short, discarding Americanism and all it stands for. That means we are discarding our moral basis.

There is much loose talk these days about after-the-war planning. In typical propaganda style, industry is held up as having the sole responsibility for taking care of all employment after the war is over. I, for one, do not believe this is possible and think it is just another scheme to dodge responsibility. For industry is always a servant and never a master. The responsibility is yours and mine. We must all make our contribution and resolve that there shall not be unemployment after the war. But we shall need to define what we mean by "employment" and by "unemployment." Everyone can be employed. But everyone cannot be employed at exactly the kind of job under exactly the conditions of wages and hours that he or she may want. And "full employment" comes perilously near to "directed" employment. There is no "right to work" but there is a responsibility to work. We need to do some hard thinking about rights and responsibilities, for there cannot be a right without a responsibility nor a responsibility without a right. And that gets us right back to the individual.

In writing the Declaration of Independence and the Constitution, the fathers of our country were moved by the unalterable purpose to free themselves and their posterity from the oppression of the Old World and elevate the individual to soverign dignity. They believed that thus they were fulfilling the Will of God. They builded with imperishable stone.

The elemental situation has not changed from their day to ours. Instead of a country of a few million people, we have a country of one hundred and thirty million people. That means more and not less opportunity. The world around us is much greater than theirs because, where their frontiers were limited by the map, our frontiers are unmapped, for they are far off somewhere in the great now world of physical discovery. Nothing has happened to make necessary a change in our concept of individualism.

The upheaval which has come about in our manner of thinking is, I feel, due to two causes. One is the influence upon our basic thinking by European systems of thought generated by failure and the other is our neglect to cherish and foster the great freedom—the freedom of the ordinary, everyday American.

It is not easy for a nation to keep its freedom, and history teaches us that many have failed. But there never was a freedom born like the American. Our job is to prepare and to guard that freedom so that the way to greater accomplishments may be opened. Our successes are small in contrast to that which will eventually be accomplished. Our efforts are good and bad building stones of the future. There is always much room out in front—room for all without crowding—and work for generations to come. Let us now dedicate ourselves to avoiding the stumbling blocks and the unnecessary delays on this road of progress.

We must once again take up the belief that the only Divine Power is within man himself—he is the creation of God. If the American system has failed, it is because we, as individuals, have failed. In man alone can we find hope for a future. Whatever may be the seeming dangers of throwing off our controls and once more being Americans, they are as nothing in contrast to the dangers of being merely a tended herd. It all depends on whether we have what it takes. I think we have.

Council Western Hemisphere Award To Foreign Trade Group

The National Foreign Trade Council was presented on May 25 with the 1944 Western Hemisphere Award. The presentation was made to the President of the Council, Eugene P. Thomas, by Brooke Claxton, K.C., M.P., Parliamentary Assistant to the Prime Minister of Canada, and Chairman of the Canadian-American Commercial Arbitration Commission, with the citation, "for distinguished service in advancing the organization of international commercial arbitration in the Western Hemisphere." The organizations combining in this tribute to the Council were the American Arbitration Association, Inter-American Commercial Arbitration Commission and Canadian-American Commercial Arbitration Commission.

In making the presentation, Mr. Claxton paid a high tribute to the Council for its work in this field. Mr. Thomas in thanking Mr. Claxton and the Arbitration organizations in the Western Hemisphere for the honor conferred on the Council, expressed the belief that the arbitration work in which they all were engaged would be a powerful incentive toward the consolidation of the great advances that had been made during the war in the strengthening of good neighbor relations and in the more orderly settlement of commercial disputes.

The presentation occurred at the World Trade Luncheon, in the Hotel Astor, New York, in connection with the observance of War Times Foreign Trade Week.

Appraisal Of Congressional Transport Policies

(Continued from page 2289)

average of sound and strong character."

—KENNETH F. BURGESS.
Chicago, Illinois.

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[1] The Inland Waterways Corporation, operating barge lines on the Warrior River in Alabama, the upper and lower Mississippi,, the Illinois and the Missouri Rivers, commonly known as the Federal Barge Lines, was created in 1924 by Act of Congress to take over barge lines previously operated by the Secretary of War. Since 1938 it has operated at a substantial operating deficit. Government operation of railroads is restricted to the Alaska Railroad under the jurisdiction of the Secretary of the Interior; the Panama Railroad Company under the control of the Governor of the Panama Canal; and the Toledo, Peoria & Western Railroad Company, which was taken over for operation by the Federal government by executive order of the President of the United States on March 21, 1942.

[2] Report of Federal Coordinator of Transportation, "Public Aids to Transportation," 1940.

[3] The relative participation of the various common carrier agencies of transportation as indicated by their total operating revenues for 1942 was as follows:

Steam railways	$7,691,255,000
Railway Express Agency	155,306,000
Pullman Company	99,682,000
Electric railways	67,623,000
Water lines	94,511,000
Pipe lines	245,061,000
Motor carriers of passengers	434,051,000
Motor carriers of property	1,250,071,000
Air transport of passengers	74,971,258
Air transport, mail, baggage and express	34,052,480

(Source: 57th Annual Report, Interstate Commerce Commission, page 14; The Annals of The American Academy of Political and Social Science, Vol. 230, page 80.)

[4] Report of National Transportation Committee, Feb. 13, 1933; see also Duncan, "A National Transportation Policy" (1936).

[5] Senate Committee Print, 75th Congress, 1st Session, 1937.

[6] Message from the President to Congress, April 11, 1938, transmitting report of Committee of Three and other documents, together with recommendations for means for immediate relief of railroads. House document No. 583, 75th Congress, 3d Session, 1938.

[7] At the present time a committee of the Association of American Railroads, designated as the Railroad Committee for the Study of Transportation, is making an intensive study of all phases of transportation with special emphasis on the period following the war. Subcommittees are studying and will report on the following subjects: Accounting and Statistics, Air Transport, Consolidations, Economics, Engineering and Mechanical Research, Finance, Labor and Personnel, Legislation, Motor Transport, Operating Methods and Procedures, Pipe Line Transport, Public Relations, Taxation, Traffic and Water Transport.

[8] Interstate Commerce Act Annotated, Vol. 4, p. 2936; see also MacVeagh, "The Transportation Act of 1920."

[9] Act of Sept. 18, 1940, 54 Stat. 889.

[10] Act of June 16, 1933, Ch. 91, Secs. 1-17 and 209, 48 Stat. 211.

[11] 49 U. S. C. A., Sec. 301ff; 49 U. S. C A., Sec. 1ff.

[12] In recommending the enactment of the Motor Carrier Act of 1935, the Committee on Interstate Commerce of the Senate stated that the bill was "* * * a part of a complete and coordinated program of legislation touching all forms of transportation which will ultimately give the Nation a system of efficient transportation at the lowest possible cost consistent with fair treatment of labor and earnings on investment, which will support adequate credit for expansion and improvements in equipment for the convenience and service to the public." (Senate Report No. 482, 74th Congress, 1st Session, p. 3.)

[13] 49 U. S. C. A., Sec. 401ff.

[14] In his message to Congress on June 7, 1935, recommending an extension of the Emergency Transportation Act, President Roosevelt said: "Air transportation should be brought into a proper relation to other forms of transportation by subjecting it to regulation by the same agency" (79 Cong. Rec. 8851). In the report of the Brookings Institution (1937) prepared for the Select Committee on Investigation of Executive Agencies of Government (see footnote No. 5), it was recommended that regulatory functions of the Bureau of Air Commerce and of the Post Office Department relative to air commerce, not indispensable to the proper administration of airmail service, be transferred to the Interstate Commerce Commission. The Committee of Six in 1938 also recommended equality of regulation by vesting the Interstate Commerce Commission with the same jurisdiction over all modes of transportation.

[15] Third Report of the Federal Coordinator of Transportation, dated Jan. 21, 1935; transmitted to Congress by Interstate Commerce Commission Jan. 23, 1935.

[16] The proposal was made in the Federal Coordinator's report of January, 1935. In transmitting it to Congress, the Commission stated its opposition, except for Commissioner Miller. In the folowing year, Mr. Eastman renewed his proposal and replied to the criticisms. Again the Commission recorded its opposition, but on this occasion Commissioner Caskie joined with Commissioner Miller in approving the plan, provided the Commission's jurisdiction were to be extended to water carriers, pipe lines, airways and motor carriers. (Fourth Report of the Federal Coordinator of Transportation, dated Jan. 18, 1936; transmitted to Congress by Interstate Commerce Commission Jan. 21, 1936). In 1938, the Committee of Three (see footnote No. 6), consisting of Chairman Splawn and Commissioners Eastman and Mahaffie, recognized in principle the desirability for drastic reorganization of the Commission to cope with the growing problems of transport regulation.

[17] From 1934 to 1938 the Interstate Commerce Commission exercised limited jurisdiction over ail mail, pursuant to the Air Mail Act, 1934. In its Annual Report for 1934 (pages 9 and 10), the Commission referred to the new law and to the creation of a Bureau of Air Mail (page 36). In its annual reports for 1936 (pages 30-32) and 1937 (pages 35-39), the Commission pointed out that air transportation had grown to a point where "it now comprises an integral part of the National transportation system" and should be regulated as a part of the system, in a manner similar to the regulation of rail and highway carriers. Bills giving effect to the Commission's views were favorably reported by the Committees of both Houses of Congress. In 1938, however, the legislation took a different turn, and the Civil Aeronautics Act of 1938 was enacted. As explained by the Commission in its 1938 annual report (pages 52-53), the Bureau of Air Mail was transferred to the Civil Aeronautics Authority by executive order, effective Aug. 22, 1938.

[18] The land grants to the railroads in an early day have been repaid to the Federal treasury many times over through the reduced rates on government transportation—freight and passenger. Thus far the efforts of the railroads to secure repeal of the so-called "land grant deductions," although repeatedly recommended by public investigating bodies, have proved unavailing.

[19] Address of Commissioner Clyde B. Aitchison of Interstate Commerce Commission before Chamber of Commerce of Portland, Ore., on April 24, 1944, entitled, "After the War is Over—Transportation Problems." Traffic World, Vol. LXXIII No. 18, page 1201.

[20] Report of Federal Coordinator of Transportation, "Public Aids to Transportation," 1940, Vol. III, page 121.

[21] The Interstate Commerce Commission in its 52d Annual Report to Congress (1938) discussed these problems:

"As pointed out, highway and inland waterway transportation are both largely dependent on the expenditure of public funds, and the same is true to a lesser extent of air transportation. Any appraisal of the relative economy and real utility of the various types of carriers must clearly take into consideration the part of the capital cost which is borne by the government and the extent to which this imposes a burden on general taxation." (Page 24.)

[22] *Petroleum Products to Tennessee River Points*, 235 I. C. C. 115 (1939), especially dissenting opinion of Commissioner Eastman, page 130; *Proposed Lake Erie-Ohio River Canal*, 235 I. C. C. 753 (1939), pages 792, 793, 795; 52d Annual Report of Interstate Commerce Commission (1938), pages 19 and 24.

[23] Transportation Act of 1940, Title III, part 1, Sec. 302(a).

[24] The Civil Aeronautics Board has construed a decision of the Circuit Court of Appeals for the Second Circuit (*Pan American Airways* v. *Civil Aeronautics Board*, 121 Fed. (2d) 810 (1941)) as virtually excluding all surface carriers from the air. In its early administration of the Motor Carrier Act of 1935, the Interstate Commerce Commission, in acquisition applications under Section 213 of the Act, limited the railroads to acquiring motor truck lines which would be auxiliary or supplemental to rail service, the so-called Barker doctrine. *Pennsylvania Truck Lines, Inc., Acquisition of Control of Barker Motor Freight, Inc.*, 1 M. C. C. 101 (1936). In cases involving applications for certificates for new operation, the Commission at first permitted such operations only for the movement of traffic which had a prior or subsequent rail haul, but later modified this view by allowing the railroads to substitute service wholly by truck for existing railway freight service. *Kansas City Southern Transport Co., Inc., Common Carrier Application*, 10 M. C. C. 221 (1938), modified on rehearing, 28 M. C. C. 5 (1941). This was justified as a substitution of a more efficient for a less efficient means of transportation and conforms to the English practice. Gilbert Walker, "*Road and Rail*" (1942). Neither of these types of restriction, with few exceptions, has been imposed in respect to motor buses, for the Commission, without statutory basis, has applied much stricter rules to railroad-affiliated truck operators than to railroad-affiliated bus operators.

[25] The present Minister of Munitions and Supply, Hon. C. D. Howe, was previously Minister of Transport. When, in 1940, he relinquished that portfolio, he retained ministerial responsibility for the Air Services Division (civil aviation and meteorology) and the Radio Division under the provisions of two Orders-in-Council passed July, 1940, *i. e.*, P. C. 3076 and P. C. 3435.

Dewey Leading Roosevelt In New York State In Political Popularity Gallup Poll Shows

George Gallup, Director of the American Institute of Public Opinion, on May 25, at Princeton, N. J., revealed that a political popularity race in New York State, matching Thomas E. Dewey against Franklin D. Roosevelt as candidates for President, shows Governor Dewey holding a slight advantage at this time in terms of civilian votes. The New York "Times," of May 26, which indicates this, also had the following to say regarding the poll:

"When voters throughout the Empire State were asked by the institute how they would vote if a Presidential election were held today with their Governor heading the Republican ticket and Mr. Roosevelt, also a New Yorker and former Governor, heading the Democratic ticket, the line-up follows:

Dewey ______________52%
Roosevelt ___________48

"President Roosevelt carried New York in the 1940 Presidential election by a comparatively small margin—52% of the major party vote. Four years before that, in 1936, he won the State with 60%.

"New York is of course generally considered the key State in any Presidential election because it has the largest number of electoral votes—47. Since 1876 only one candidate has ever succeeded in winning the Presidency without carrying New York. He was Woodrow Wilson.

"Wilson lost the State to Charles E. Hughes in 1916, but was elected, although by a small margin, in the electoral college."

Steel Operations At 97.5%—Pressure For Shipments Intense—Orders Continue Brisk

"Aggregate steel sales volume in the past week was strong enough to substantiate the belief that the recent hesitancy in steel purchases was by no means indicative of a lower trend in buying, the "Iron Age" says in its issue of today (June 1), further adding: "Orders were more brisk on many items in the past week and there were additional signs that the flat rolled situation will not change much in the third quarter even though some easiness had been expected earlier in the year. Increased demands for urgent war sheets and the failure of plate demand to subside to any great extent has in some measure made it necessary for the War Production Board to have plate producers accept more than 110% of their product quota beginning in July.

"It is expected that due to the heavy pressure for many types of steel products it will be necessary for WPB to over-allot on steel products other than plates. This ordinarily would force a larger carry-over if the steel industry should run into production difficulties as it may in the third quarter. Washington officials, however, hope that the over-allotment situation will be clarified by cancellations or military cutbacks before conditions become serious productionwise. It seems certain in the trade, however, that less essential steel orders will soon be in for further 'pushing around.'

"One thing seems certain this week, and that is that more steel sales and production officials do not believe the third and fourth quarter total steel requirement picture has crystallized to an extent where definite conclusions can be drawn. The state of mind this past week is strongly reminiscent of the confusion which existed in the middle of 1943, when total requirements appeared to be much greater than the supply. The major difference between last year's hectic period and the one which the steel industry is now entering is great enough to indicate a little more difficulty in meeting the huge military and essential civilian needs.

Steel production officials are fearful that the long and continuous grind on men and machinery will further reduce the efficiency of the steel output. In some plants a marked drop in efficiency per man has been noted because of green help as well as fatigue and absenteeism. Factors such as these, while apparent last year, are much more accentuated now. While it may be stretching the imagination slightly, there are some steel observers who believe that the long drawn-out steel wage hearings are also having their effect on steel production even though this effect might be small.

"Steel products, which were in the tightest delivery position last week, included sheets, plates, large-size bars and semi-finished steel. The tightness is one of specific products rather than general over-all steel items. Cold-finished bars, which were said to have a backlog of nine months recently, are now hardly more than three months in the unfilled-order category. Structural steels are not in heavy demand, although it is doubtful whether they could be supplied if the demand should pick up to any great extent because of the impact of the shell program. Small hot rolled bar deliveries are easy on some mills, welded pipe is fairly easy, but electric-welded pipe continues to have its deliveries advanced, due to the shifting of some seamless orders to electric-weld mills.

"One factor which has contributed to the strong steel production tempo is the lessening in the number of cancellations recently. Some companies have noted that their total cancellations in the past few weeks have been at the lowest point for several months. This is in direct contrast to a few months ago, when cancellations, due to cutbacks and change in programs, were quite heavy. If and when invasion begins and appears to be successful, the steel industry may well be flooded with certain military cancellations and cutbacks which would immediately ease up the steel picture. It is believed that the heavy volume of steel for military purchases has been placed on the basis of assuring no chance of military failures with respect to the supplying of actual equipment and ammunition. Such cutbacks, if they came however, would ably follow a rather definite time lapse, and it is for that reason that steel officials look for new levels in production during the third quarter."

The American Iron and Steel Institute on May 29 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 97.5% of capacity for the week beginning May 29, compared with 98.4% one week ago, 99.5% one month ago and 98.4% one year ago. The operating rate for the week beginning May 29 is equivalent to 1,746,500 tons of steel ingots and castings, compared to 1,762,600 tons one week ago, 1,782,300 tons one month ago, and 1,704,000 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on May 29 stated in part as follows: "While forward deliveries of steel products are not being extended as rapidly as during recent weeks, pressure for shipment is intense.

"Prospects of increasing manpower shortages this summer are causing as much tonnage as possible now on mill books being pushed ahead for earliest delivery. Combined with expanding requirements in some lines, notably shell steel and landing craft, this not only provides mills with overflow tonnage but assures most producers all they can handle for several months.

"General reduction in third-quarter allotments, due to expected drop in output because of labor shortage, effects of hot weather and need for equipment repair, has been sharp in some cases.

"War Production Board has allocated 634,000 tons of tin plate for cans in third quarter, a sharp reduction from the 800,000 tons asked by the industry. To meet seasonal demand for fruit and vegetable canners in third quarter. peak of the year, an understanding has been reached with canmakers to keep down production of cans for non-seasonal products, giving right of way to those for food products.

"Pig iron and scrap for steelmaking offer no problem of supply, both being sufficient for the high steel production rate. Scrap is moving freely and reserves in most cases are all that melters desire."

Pacts Between Allies And Three Govts. In-Exile On Control Of Civil Affairs During Liberation

The signing of agreements between Great Britain and the United States, on the one hand, and the exiled Governments of Norway, the Netherlands and Belgium, on the other, governing control of civil affairs in those countries during the period of liberation took place at London on May 16, it was reported in a wireless message to the New York "Times" by David Anderson, from which we also quote:

"The texts were identical to one another and to that signed today by Norway and the Soviet Union. Russia was 'consulted' before signatures were affixed on the other agreements.

"Slight variations in interpretation were given these agreements by the men who will return to their native lands in the wake of the Allied armies, but in the main they were designed to accomplish the dual purpose of letting these Governments know where they stand and of informing the people on the Continent where to look for united leadership.

"General Dwight G. Eisenhower, Allied Supreme Commander, whose undertaking it will be to turn over power to each Government in turn 'as the military situation permits,' signed the agreements on behalf of the United States. Foreign Secretary Anthony Eden did so for Great Britain.

"Trygve Lie, Norwegian Foreign Minister, was perhaps the happiest man in London today, for in placing his name on the document he brought to an end a longer period of negotiation than any of the other diplomats. His draft was the blueprint that President Eduard Benes of Czechoslovakia took to Moscow when the Czech-Russian treaty was written.

"Moreover, tomorrow is the national day of Norway, and the members of that Government who are here were eager to complete the agreement by then. Word that Viktor Z. Lebedieff. Soviet Ambassador to the Allied Governments, was willing to sign for Russia at the same time was a relief to the somewhat impatient Norwegians.

"For the Netherlands Dr. Eeco N. van Kleffens, Foreign Minister, signed with Britain and O. C. A. van Lidth de Jeude, Minister of War, with the United States.

"The Netherlands agreement. which had been in an advanced stage since late last summer, differs from the Norwegian and the earlier Czech versions in its application in that there will be no delegate named to cooperate with the Allied military leaders.

"In Holland the Government as a whole will function under a state of sieze to be proclaimed by Queen Wilhelmina. Civil authorities are to take over when the fighting zone moves on even if the area is still loaded with military communications for the battlefront.

"The definition of this state of siege in the original agreement was disallowed by the State Department, according to an explanation here of the long delay in winning Americal approval.

"The Belgium agreements were made operative by Prime Minister Hubert Pierlot and Foreign Minister Paul-Henri Spaak, who went respectively to General Eisenhower's headquarters and the British Foreign Office.

"One peculiarity of their position is the presence of King Leopold in occupied territory. They are confident that this will entail no constitutional difficulties when the day comes to reestablish the Government in Brussels."

In Washington advices to the "Times," May 16, the State Department was reported as saying:

"These agreements are intended to be essentially temporary and practical in character. They are designed to facilitate the task of the Supreme Allied Commander and to further the common purpose of the Governments concerned, namely, the speedy expulsion of the Germans from Allied territory and final victory of the Allies over Germany."

Outlook For Rubber

(Continued from First Page)

The difference between our synthetic production of say 870,000 tons and of the 700,000 tons tons which we use, or about 170,000 tons, will be lend-leased or stocked for future use. All natural reclaimed will be used or set aside for war purposes. Out of the above synthetic supply about 18,000,000 tires will be made this year for civilians against an estimated need of over 30,000,000.

Post-War Outlook

Natural rubber, and perhaps total rubber supplies, will be short for from two to five years after the war. It will take some time to clear up the Far East plantations after the Japs are driven out. Not much more than 250,000 tons a year for the first two or three years can be expected from pre-war sources. The United States alone will require 1,000,000 tons of rubber annually which may be close to 50% of the needs of the entire world. Estimating our production of synthetic at 1,000,000 tons it looks as though our synthetic plants might have 100% capacity operation ahead of them for a few years after the war is over; but after 1950 look out!

Tire Company Securities

Tire company stocks, while selling at about their best prices since the war, may not be too high; but I do not know. Earnings for 1944 should run close to 1943 and dividends may run a little higher as provisions for post-war conversion and other reserves have been largely taken care of. For the long-term and as a businessman's risk, I am not adverse to the best tire stocks. Here as in all other situations the best managements—especially those which have the confidence of labor—will provide the best profits.

From Washington Ahead Of The News

(Continued from First Page)

which they seem to have joined with the radical hue and cry against him.

It is a matter of interest, because we can remember when the project itself was looked upon by the conservatives as bearing out everything doleful they had anticipated of the New Deal. We can remember when Wendell Willkie was devoting all of his talents and energies to save the country from this step into the abyss. Now, within a few years it is not only accepted but the suggestion that Congress should have something to do with it, as it does with the Postal system, for example, is ridiculous and unheard of. How far we have come! What progress we have made!

McKellar, as he is being taunted now, was enthusiastically for the development at first, along with the other "social minded" folk. But he has been in a better position, perhaps, to see the development of Dave. Dave is a darling of the LaFollette-Norris Progressive school and thus was put in as one of the three directors of TVA. He had difficult going, first with Willkie, and then with one of his co-directors, Dr. Morgan, if you will recall. He got rid of Morgan and then Willkie's Commonwealth and Southern was bought out. Since then he has had easy sailing as the undisputed boss of all he surveys. McKellar's opponents now, in high indignation, assert that the Government keeps a check on the enterprise through the Comptroller General. Why the Comptroller General's office tried to make more than a superficial study of the TVA a few years ago and it was flouted and thwarted at every turn. It wouldn't be an exaggeration to say that Lilenthal is really accountable to nobody. At least this is the situation, in effect.

He has had the same free reign that Rexford Tugwell is enjoying down in Porto Rico. It is within the power of both of these men to experiment with the lives of people until their heart's content. To hear the Porto Rican delegate's anguished cries in Congress, you get the impression there is nothing benevolent about Tugwell's depotism. So far as we know, the people under Dave are contented, and maybe happy. At least, in a recent book and in his periodical reports there is a story of Utopia attained. Within the area, the exact acreage escapes us, but it is vast, Dave is the boss of all activity, of the curricula of the schools, the design of the houses, the size of the Victory gardens, the mercantile establishments. The issue being made now is that with such a marshalling of human resources as he has been able to bring about, are you going to let Congress get in there and mess it up?

At one time, if you will recall, there was a serious movement afoot to set up a series of "authorities" similar to TVA. Together they would have fairly blanketed the country. There is considerable agitation right now, in fact, for the "Missouri Valley Authority," but the spread as a whole has been laid outside while the New Deal has been engaged in more pressing business. But you can understand how simple government will be if it is carried out. Then we need to have only four or five Dave Lilenthals; no Congress, no anything else.

We remember one of the first questions propounded to the applicants for jobs with the great TVA experiment: It was whether the wives would fit in and be helpful to the community spirit.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
May 30	Exchange Closed								
29	119.67	112.19	118.40	116.80	111.81	102.46	105.86	113.89	117.00
27	119.66	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.20
26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
25	119.63	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.20
24	119.63	112.19	118.40	116.80	112.00	102.30	105.86	113.89	117.00
23	119.60	112.19	118.60	116.80	111.81	102.30	105.86	113.89	117.00
22	119.60	112.00	118.60	116.80	111.81	102.13	105.86	113.89	117.00
20	119.59	112.19	118.60	116.80	111.81	102.30	105.86	113.89	117.00
19	119.59	112.00	118.60	116.80	111.81	102.13	105.86	113.89	116.80
18	119.57	112.00	118.60	116.80	111.81	101.97	105.69	113.89	116.80
17	119.51	112.00	118.60	116.80	111.81	101.80	105.86	113.70	116.80
16	119.48	112.00	118.40	116.80	111.81	101.80	105.69	113.89	116.61
15	119.48	112.00	118.40	116.80	111.81	101.80	105.69	113.89	116.61
13	119.48	111.81	118.40	116.80	111.62	101.80	105.52	113.89	116.80
12	119.48	112.00	118.60	116.80	111.81	101.64	105.52	113.89	116.80
11	119.51	111.81	118.60	116.61	111.81	101.64	105.69	113.70	117.00
10	119.51	111.81	118.40	116.61	111.81	101.64	105.69	113.70	116.80
9	119.58	111.81	118.60	116.61	111.62	101.80	105.69	113.70	116.61
8	119.52	111.81	118.40	116.80	111.62	101.64	105.52	113.70	116.61
6	119.48	111.81	119.40	116.80	111.62	101.47	105.52	113.70	116.41
5	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
4	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
3	119.51	111.62	118.20	116.61	111.62	101.47	105.34	113.70	116.22
2	119.47	111.62	118.20	116.61	111.62	101.47	105.34	113.70	116.22
1	119.34	111.62	118.40	116.41	111.62	101.31	105.34	113.70	116.41
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
21	119.75	111.62	118.40	116.41	111.62	101.31	105.17	113.70	116.41
14	119.86	111.62	118.20	116.61	111.44	101.14	105.17	113.70	116.41
6	119.81	111.44	118.20	116.61	111.44	100.98	104.83	113.89	116.22
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
24	119.86	111.44	118.20	116.61	111.44	100.81	104.66	113.89	116.41
17	120.14	111.44	118.20	116.61	111.25	100.65	104.66	113.70	116.41
10	120.26	111.44	118.20	116.41	111.25	100.81	104.48	113.70	116.41
3	120.44	111.25	118.20	116.61	111.25	100.49	104.31	113.70	116.41
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
18	119.96	111.25	118.40	116.41	111.07	100.49	104.31	113.50	116.41
11	119.69	111.25	118.40	116.22	111.25	100.49	104.31	113.50	116.41
4	119.45	111.25	118.40	116.22	111.25	100.49	104.14	113.50	116.61
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
21	119.58	111.25	118.40	116.41	111.07	100.16	104.31	113.31	116.41
14	119.57	111.25	118.60	116.41	111.25	99.84	104.14	113.50	116.41
7	119.69	111.07	118.60	116.41	111.07	99.36	103.80	113.50	116.22
High 1944	120.44	112.19	118.80	116.80	112.00	102.46	105.86	113.89	116.02
Low 1944	119.34	110.70	118.20	116.22	110.88	99.04	103.30	113.12	117.20
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago May 29, 1943	119.82	110.34	118.20	115.82	111.07	97.78	102.30	113.31	115.82
2 Years Ago May 29, 1942	118.35	106.39	116.02	112.93	107.44	91.77	96.07	110.70	113.70

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
May 30	Exchange Closed								
29	1.83	3.05	2.73	2.81	3.07	3.60	3.40	2.96	2.80
27	1.84	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.79
26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
25	1.84	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.79
24	1.84	3.05	2.73	2.81	3.06	3.61	3.40	2.96	2.80
23	1.84	3.05	2.72	2.81	3.07	3.61	3.40	2.96	2.80
22	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.80
20	1.84	3.05	2.72	2.81	3.07	3.61	3.40	2.96	2.80
19	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.81
18	1.84	3.06	2.72	2.81	3.07	3.63	3.41	2.96	2.81
17	1.85	3.06	2.72	2.81	3.07	3.64	3.40	2.97	2.81
16	1.85	3.06	2.73	2.81	3.07	3.64	3.41	2.96	2.82
15	1.85	3.06	2.73	2.81	3.07	3.64	3.41	2.96	2.82
13	1.85	3.07	2.73	2.81	3.08	3.64	3.42	2.96	2.81
12	1.85	3.06	2.72	2.81	3.07	3.65	3.42	2.96	2.81
11	1.85	3.07	2.72	2.82	3.07	3.65	3.41	2.97	2.80
10	1.85	3.07	2.73	2.82	3.07	3.65	3.41	2.97	2.81
9	1.84	3.07	2.72	2.82	3.08	3.64	3.41	2.97	2.82
8	1.85	3.07	2.73	2.81	3.08	3.65	3.42	2.97	2.82
6	1.85	3.07	2.73	2.81	3.08	3.66	3.42	2.97	2.83
5	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
4	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
3	1.85	3.08	2.74	2.82	3.08	3.66	3.43	2.97	2.84
2	1.85	3.08	2.74	2.82	3.08	3.66	3.43	2.97	2.84
1	1.86	3.08	2.73	2.83	3.08	3.67	3.43	2.97	2.83
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
21	1.83	3.08	2.73	2.83	3.08	3.67	3.44	2.97	2.83
14	1.82	3.08	2.74	2.82	3.09	3.68	3.44	2.97	2.83
6	1.83	3.09	2.74	2.82	3.09	3.69	3.46	2.96	2.84
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
24	1.82	3.09	2.74	2.82	3.09	3.70	3.47	2.96	2.83
17	1.80	3.09	2.74	2.82	3.10	3.71	3.47	2.97	2.83
10	1.81	3.09	2.74	2.83	3.10	3.70	3.48	2.97	2.83
3	1.80	3.10	2.74	2.82	3.10	3.72	3.49	2.97	2.83
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
18	1.83	3.10	2.73	2.83	3.11	3.72	3.49	2.98	2.83
11	1.85	3.10	2.73	2.84	3.10	3.72	3.49	2.98	2.83
4	1.87	3.10	2.73	2.84	3.10	3.72	3.50	2.98	2.82
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
21	1.86	3.10	2.73	2.83	3.11	3.74	3.49	2.99	2.83
14	1.86	3.10	2.72	2.83	3.10	3.76	3.50	2.98	2.83
7	1.85	3.11	2.72	2.83	3.11	3.79	3.52	2.98	2.84
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.79	3.05	2.71	2.81	3.06	3.60	3.40	2.96	2.79
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago May 29, 1943	1.88	3.15	2.74	2.86	3.11	3.89	3.61	2.99	2.86
2 Years Ago May 29, 1942	1.95	3.37	2.85	3.01	3.31	4.29	4.00	3.13	2.97

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Chicago Res. Bank Leases Additional Space

C. S. Young, President of the Federal Reserve Bank of Chicago, announced on May 27 that it had leased through Albert H. Wetten & Co. approximately 21,000 square feet of space formerly occupied by the Postal Telegraph Co. on the fourth floor of the Insurance Exchange Building (South), at 175 West Jackson Boulevard, Chicago, Ill. The lease runs for four years. The additional space is required by the Federal Reserve Bank, it is announced, because of increased activity in the Fiscal Agency Division resulting from the volume of Treasury Financing. The bank will take over the premises about June 1.

Wholesale Commodity Index Rose 0.2% In Week Ended May 20 Labor Dept. Reports

The Bureau of Labor Statistics' index of commodity prices in primary markets rose 0.2% during the week ended May 20 principally because of higher quotations for livestock, fruits and vegetables, cotton and naval stores, it was announced May 25 by the United States Department of Labor, which stated that "at 103.8% of the 1926 average, the all-commodity index has risen 0.2% in the past 4 weeks to the level of this time last year." The Department further reported:

Farm Products and Foods—Led by an increase of 1.4% for livestock and higher prices for fresh fruits and vegetables and for cotton, average prices for farm products in primary markets rose 0.7% Quotations for light hogs were up more than 5%, while heavy hogs continued to decline under OPA action in reducing ceiling prices on hogs weighing over 240 pounds. Steers rose more than 1%; cotton and tobacco increased fractionally; and the grain markets continued unsettled. Sheep dropped about 2% and prices were also lower for live poultry at Chicago, for eggs, lemons, and onions. White potatoes at Chicago and Portland (Oregon) advanced, while the Boston and New York markets were weaker. Although average market prices for farm products have risen 0.3% in the past month, they are 2% lower than for the corresponding week of May 1943.

The increase in prices for fresh fruits and vegetables accounted for a rise of 0.1% in average prices for foods during the week. Lower prices were reported for rye flour and for cured pork. Since last year the index for foods has declined more than 5% but is 0.3% higher than at this time last month.

Industrial Commodities—Very few changes occurred in industrial commodity markets during the week. There was little demand for quicksilver and the market remained in the slump which began at the end of January when the government discontinued its buying program. Prices again dropped 4.5% and are now more than 35% lower than at the beginning of the year. Average prices for building materials rose 0.5% as a result of higher prices for common brick in some areas and for rosin and turpentine.

The Department's announcement also contains the following notation:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for April 22, 1944 and May 22, 1943, and the percentage changes from a week ago, a month ago, and a year ago and (2) percentage changes in subgroup indexes from May 13 to 20, 1944.

WHOLESALE PRICES FOR WEEK ENDED MAY 20, 1944
(1926=100)

Commodity Groups—	5-20 1944	5-13 1944	5-6 1944	4-22 1944	5-22 1943	Percentage change to May 20, 1944 from— 5-13 1944	4-22 1944	5-22 1943
All commodities	*103.8	*103.6	*103.7	*103.6	103.8	+0.2	+0.2	0
Farm products	*123.3	*122.4	*123.3	*122.9	125.8	+0.7	+0.3	— 2.0
Foods	104.7	104.6	105.0	104.4	110.3	+0.1	+0.3	— 5.1
Hides and leather products	117.6	117.6	117.6	117.6	118.4	0	0	— 0.7
Textile products	97.3	97.3	97.3	97.3	96.9	0	0	+ 0.4
Fuel and lighting materials	83.9	83.7	83.7	83.7	81.3	+0.2	+0.2	+ 3.2
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	115.6	115.0	115.0	114.6	110.3	+0.5	+0.9	+ 4.8
Chemicals and allied products	105.4	105.4	105.4	105.4	100.2	0	0	+ 5.2
Housefurnishing goods	106.0	106.0	106.0	106.0	104.2	0	0	+ 1.7
Miscellaneous commodities	93.3	93.3	93.3	93.3	91.7	0	0	+ 1.7
Raw materials	*113.3	*112.8	*113.3	*113.0	113.8	+0.4	+0.3	—0.4
Semimanufactured articles	93.6	93.5	93.5	93.5	92.9	+0.1	+0.1	+ 0.8
Manufactured products	*101.1	*101.0	*101.0	*100.9	100.9	+0.1	+0.2	+ 0.2
All commodities other than farm products	*99.6	*99.5	*99.5	*99.4	99.1	+0.1	+0.2	+ 0.5
All commodities other than farm products and foods	*98.7	*98.6	*98.6	*98.5	96.9	+0.1	+0.2	+ 1.9

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
MAY 13, 1944 TO MAY 20, 1944

Increases

Fruits and vegetables	1.6	Paint and paint materials	0.5
Livestock and poultry	1.4	Other farm products	0.4
Dairy products	0.1		

Decreases

Other foods	0.5	Grains	0.1
Meats	0.1		

New York City's Share Of Fifth War Loan One-Quarter Of National Quota Of $16,000,000,000

Heralded as the greatest war financing campaign in world history in number of workers, in intensity of effort, and in its tremendous objective, the Fifth War Loan to be launched on Monday, June 12, will call on New York City to produce more than one-quarter of the national quota of $16,000,000,000, it was announced on May 28, by Nevil Ford, Chairman of the War Finance Committee for New York. The share of New York State will be 30%.

Upward of half a million men and women of the State already have enlisted as volunteer War Bond salesmen for this drive, and this number is expected to be substantially increased before the opening day of the campaign, Mr. Ford said.

The over-all objective for New York State has been set at $4,801,000,000 — 14.4% greater than its goal in the Fourth War Loan. While this increase is in virtually the same proportion as that of the country-wide objective, Mr. Ford pointed out that the State must raise an amount 2.9% greater than its total sales of $4,665,200,000 made during the last drive, whereas the national quota is 4.4% less than the grand total resulting from the winter loan.

New York City's goal for all investor classifications is $4,154,808,000 which, according to Mr. Ford, is 12.8% higher than its Fourth War Loan objective and 3.3% larger than were the City's War Bond sales.

As in past War Bond drives, the City will account for the major portion of the State total, its share this time being 86.5%. This amount is distributed among the five boroughs as follows: Manhattan, $3,744,999,000; Brooklyn, $269,994,000; Queens, $80,603,000; Bronx, $47,201,000; Staten Island, $12,011,000.

"In responding to the nation's call for the largest war loan in the history of the world," Mr. Ford said, "our task in City and State, as these quotas indicate, is the greatest we have ever been asked to perform. Our efforts in the Fifth War Loan must excel our best achievements of the past," he added.

"The size of this job, however, is to be considered in terms of the unprecedented urgency of the country's needs at this critical point in the war. The long-heralded and now apparently imminent 'D-Day' must find its counterpart in our coming drive for invasion dollars. We civilians are not called on to meet the dangers and sacrifices our armed forces must undergo. By comparison, the demands upon us are light.

"But in the intensity of our effort, in our determination to forego all but the most necessary things and send every possible dollar to support our fighting men, our drive must match the relentless force of the invasion.

"The official opening date of the drive is June 12 and the closing date July 8, but, to avoid any later misunderstanding, it should be emphasized now that all sales of the savings issues—E, F and G Bonds and Tax Savings Notes—made from June 1 up to and including July 31, will count toward quotas. This is in accordance with the procedure followed in all previous campaigns. Sales of the market issues, however, will close at midnight July 8."

Besides the over-all objective, the only other announced quotas for this City and State in the Fifth War Loan will be those of E-Bond sales. For New York City, the E-Bond quota is $227,526,600 as compared with sales of $226,437,910 of that issue during the last drive. New York State has E-Bond quota of $367,000,000 as against Fourth War Loan sales of $364,100,000.

Mr. Ford explained that the greatest emphasis in the coming campaign will be placed upon sales to individuals, saying:

"Every dollar invested by an individual in War Bonds does double duty. It helps speed the victory on the battle fronts and, by fighting off disastrous inflation, it likewise insures economic victory here at home."

Payroll Savings, Banking and Investment, Community Sales and the other specialized divisions of the War Finance Committee, so productive in previous drives, will be in action again in the Fifth War Loan. The activity and importance of the Commerce and Industry Division, however, will be increased.

This division, under the direction of William E. Cotter in Manhattan, is expected to perform a major selling job, Mr. Ford said. Twelve sections already have been set up, consisting of more than 275 divisions of business and industry under the chairmanship of key men in each clasfsification. Through the activity of this division alone an estimated 3,000 business men, acting as volunteer committee men, will carry the War Bond sales campaign, by personal contact, to upward of 30,000 firms and corporations in Manhattan in a drive for maximum corporate and executive investments.

Moody's Daily Commodity Index

Tuesday, May 23, 1944	250.4
Wednesday, May 24	250.6
Thursday, May 25	250.7
Friday, May 26	250.7
Saturday, May 27	250.6
Monday, May 29	250.6
Tuesday, May 30	*
Two weeks ago, May 16	250.0
Month ago, April 29	249.5
Year ago, May 29	245.8
1943 High, April 1	249.8
Low, Jan. 2	240.2
1944 High, March 17	251.5
Low, Jan. 5	247.0

*Holiday.

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report states that the total production of soft coal in the week ended May 20, 1944, is estimated at 12,300,000 net tons, a decrease of 260,000 tons, or 2.1%, from the preceding week. Output in the corresponding week of 1943 amounted to 11,429,000 tons. Cumulative production of soft coal from Jan. 1 to May 20, 1944, totaled 247,912,000 tons, as against 236,087,000 tons in the same period last year, a gain of 5.0%.

Production of Pennsylvania anthracite, according to the U. S. Bureau of Mines, was estimated at 1,305,000 tons for the week ended May 20, 1944, a decrease of 21,000 tons (1.6%) from the preceding week. When compared with the output in the corresponding week of 1943, there was, however, an increase of 23,000 tons, or 1.8%. The calendar year to date shows an increase of 4.4% when compared with the corresponding period of 1943.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended May 20, 1944, showed a decrease of 3,100 tons when compared with the output for the week ended May 13, 1944, and was 16,400 tons less than for the corresponding week of 1943. Production for the 141 days ended May 20, 1944, was 180,300 tons below that for the same period of last year.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	May 20, 1944	May 13, 1944	May 22, 1943	*May 20, 1944	May 22, 1943	May 22, 1937
Total, incl. mine fuel	12,300,000	12,560,000	11,429,000	247,912,000	236,087,000	184,455,000
Daily average	2,050,000	2,093,000	1,905,000	2,061,000	1,959,000	1,536,000

*Revised.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. anthracite—	‡May 20, 1944	§May 13, 1944	May 22, 1943	May 20, 1944	May 22, 1943	May 25, 1929
*Total incl. coll. fuel	1,305,000	1,326,000	1,282,000	25,594,000	24.509,000	29,572,000
†Commercial produc.	1,253,000	1,273,000	1,231,000	24,572,000	23,529,000	27,443,000
Beehive coke—						
United States total	142,600	145,700	159,000	3,037,500	3,217,800	2,581,000

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended			
State—	May 13, 1944	May 6, 1944	May 15, 1943	May 15, 1937
Alabama	397,000	388,000	399,000	129,000
Alaska	5,000	5,000	5,000	2,000
Arkansas and Oklahoma	92,000	83,000	53,000	8,000
Colorado	154,000	161,000	160,000	97,000
Georgia and North Carolina	1,000	1,000	1,000	*
Illinois	1,484,000	1,428,000	1,435,000	523,000
Indiana	536,000	540,000	455,000	245,000
Iowa	45,000	47,000	50,000	24,000
Kansas and Missouri	191,000	180,000	143,000	68,000
Kentucky—Eastern	980,000	939,000	1,022,000	792,000
Kentucky—Western	395,000	333,000	289,000	127,000
Maryland	38,000	35,000	38,000	20,000
Michigan	6,000	5,000	4,000	1,000
Montana (bitum. & lignite)	79,000	80,000	79,000	34,000
New Mexico	39,000	41,000	32,000	28,000
North & South Dakota (lignite)	28,000	37,000	32,000	15,000
Ohio	718,000	700,000	706,000	465,000
Pennsylvania (bituminous)	3,257,000	3,095,000	2,934,000	1,995,000
Tennessee	140,000	152,000	147,000	84,000
Texas (bituminous & lignite)	3,000	4,000	3,000	17,000
Utah	124,000	123,000	125,000	28,000
Virginia	392,000	378,000	418,000	243,000
Washington	25,000	27,000	33,000	32,000
†West Virginia—Southern	2,162,000	2,157,000	2,389,000	1,675,000
‡West Virginia—Northern	1,100,000	1,035,000	974,000	555,000
Wyoming	168,000	175,000	171,000	61,000
§Other Western States	1,000	1,000	*	1,000
Total bituminous & lignite	12,560,000	12,150,000	12,097,000	7,269,000
Pennsylvania anthracite	1,326,000	1,278,000	1,386,000	1,068,000
Total, all coal	13,886,000	13,428,000	13,483,000	8,337,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona, California, Idaho and Oregon. *Less than 1,000 tons.

Non-Ferrous Metals — April Refined Lead Shipments Lower — Quicksilver Price Drops

"E. & M. J. Metal and Mineral Markets," in its issue of May 25, states:

To meet the extraordinary demands for copper, fabricators are consuming foreign metal at a higher rate. April statistics of the brass and wire mills indicate that 61,720 tons of imported copper were consumed in that month, out of a total consumption of 160,335 tons. Requests for foreign lead for June were large. Zinc buying was in good volume last week, but somewhat below that of a month ago. Beryllium ore has been advanced in price by Metals Reserve Co. Quicksilver again declined sharply in a dull market. The publication further went on to say in part as follows:

Copper

Fabricators consumed 160,335 tons of refined copper during April, according to statistics circulated privately in the industry. This high rate of consumption was foreshadowed by heavy deliveries of copper by producers. Consumption during March was 143,739 tons, February 131,855 tons, and January 131,562 tons. Fabricators report stocks of 324.500 tons as of April 30, against 400,891 tons a year ago.

Shipments of brass and bronze ingots during April totaled 43,151 tons, against 45,068 tons in March. Ingot makers continue to absorb a fair tonnage of primary copper, owing to a shortage in suitable scrap.

Lead

Consumers on May 22 asked for more than 22,000 tons of foreign lead to round out their June needs, which points to another month of high consumption of the metal. Producers estimate that current consumption of lead amounts to between 65,000 and 70,000 tons a month.

Sales of domestic lead for the week that ended May 24 totaled 1,948 tons, against 14,021 tons in the preceding week.

Domestic refineries shipped 44,690 tons of refined lead during April, which compares with 55,449 tons in March and 47,035 tons in April last year, according to the American Bureau of Metal Statistics. Production for April came to 50,154 tons, against 55,324 tons in March and 41,134 tons in April last year.

Stocks of refined lead in the hands of producers at the end of April totaled 39,830 tons, which compares with 34,379 tons a month previous and 29,186 tons a year ago.

Zinc

Buying of zinc for June shipment was in substantial volume during the last week, following receipt by consumers of allocation certificates from the Zinc Division. Some producers thought that demand was not quite up to the mark established in recent months, but it is still too early to obtain a clear picture of what actual consumption will amount to in June. So far, brass mills have asked for less metal than at this time a month ago.

The Tri-State district reports a lower rate of concentrate production, but shipments were larger, owing to the availability of material from stocks accumulated for MRC.

Beryllium Ore

Demand for beryllium-copper continues at a brisk pace, and the problem of obtaining sufficient quantities of beryllium ore is receiving increased attention from WPB. To stimulate production further, Metals Reserve Co. has instructed its agents to pay up to $14.50 per short-ton unit of BeO, equivalent to $145.50 per ton, on acceptable ore containing 10% BeO. The previous published purchasing basis was $120 per ton. Before the war market quotations varied between $30 and $35 per ton, depending on the grade.

Tin

Can manufacturers asked for 800,000 tons of tin-plate to cover their requirements for the third-quarter of the year. However, because of heavy military demands for sheet metal, WPB allocations of tin-plate for can production for the July-Sept. period was fixed at 634,000 tons.

The market situation in tin remains unchanged. Straits quality tin for shipment, in cents per pound, was as follows:

	May	June	July
May 18	52.000	52.000	52.000
May 19	52.000	52.000	52.000
May 20	52.000	52.000	52.000
May 22	52.000	52.000	52.000
May 23	52.000	52.000	52.000
May 24	52.000	52.000	52.000

Chinese, or 99% tin, held at 51.125c per pound all week.

Quicksilver

Effective May 22, quantity business in quicksilver could have been placed at $110 per flask, with small lots available at $112 to $114 per flask. Compared with a week ago, the price declined $6 per flask. No buying of consequence developed, indicating that consumers' confidence in the price situation remains badly shaken. Reports from the Pacific Coast point to a continued decline in output this summer.

Silver

The London market for silver was unchanged throughout the week at 23½d. The New York Official for foreign silver continued at 44¾c, with domestic silver at 70⅝c.

Daily Prices

The daily price of electrolytic copper (domestic and export refinery), lead zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

1944 Convention Of The Nat'l Foreign Trade Council

The 31st National Foreign Trade convention will be held in New York on October 9, 10, 11, it was announced on May 25 by Lindsay Crawford, Secretary of the Council.

Civil Engineering Construction $27,885,000 For Week

Civil engineering construction volume in continental United States totals $27,885,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 4% higher than the volume for a week ago, but 40% under the total reported to "Engineering News-Record" for the corresponding 1943 week, and 20% lower than the previous four-week moving average The report made public on May 25 went on to say:

Public construction tops a week ago by 28% as a result of the 51% rise in Federal volume, but is 49% below a year ago. Private work is 40% below last week, but tops last year by 61%.

The current week's construction brings 1944 volume to $734,019,000 for the 21 weeks, a decrease of 51% from the $1,491,759,000 reported for the period in 1943. Private construction for the period, $168,912,000, is 13% above a year ago, but public construction, $565,107,000, is 58% lower due to the 61% decrease in Federal work.

Civil engineering construction volumes for the 1943 week, last week, and the current week are:

	May 27,'43	May 18,'44	May 25,'44
Total U. S. construction	$46,465,000	$26,907,000	$27,885,000
Private construction	3,654,000	9,724,000	5,865,000
Public construction	42,811,000	17,183,000	22,020,000
State and municipal	6,440,000	6,716,000	6,278,000
Federal	36,371,000	10,467,000	15,742,000

In the classified construction groups, gains over last week are in waterworks, sewerage, industrial and public buildings, and unclassified construction. Gains over the 1943 week are in industrial buildings, earthwork and drainage, and unclassified construction. Subtotals for the week in each class of construction are: waterworks, $453,000; sewerage, $433,000; bridges, $323,000; industrial buildings, $2,031,000; commercial buildings, $679,000; public buildings, $10,777,000; earthwork and drainage, $499,000; streets and roads, $4,918,000; and unclassified construction, $7,772,000.

New capital for construction purposes for the week totals $10,642,000 and is made up of $10,100,000 in corporate security issues and $542,000 in State and municipal bond sales. New construction financing for 1944 to date, $426,549,000, is 13% below the $492,422,000 reported for the 21-week period last year.

National Fertilizer Association Commodity Price Average Recedes

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on May 29, declined to 136.8 in the week ending May 27 from 137.2 in the preceding week. A month ago this index stood at 137.0 and a year ago at 135.7, based on the 1935-1939 average as 100. The all-commodity index is now only 0.8% higher than the corresponding period of 1943. The Association's report went on to say:

The farm products and foods groups were responsible for the decline in the commodity price average. The grains group continued to decline fractionally for the third consecutive week as lower quotations for rye continued. The only item to increase in the livestock group was lambs, which advanced slightly. Heavy-weight hogs, ewes, and live fowls declined sufficiently to cause the livestock group to reach a new low since December, 1943, and in turn causing a marked decline in the farm products group number. Lower quotations for eggs and sharp declines in the prices of potatoes and lard caused the foods group index number to reach the lowest point since March, 1943. The decrease in lard prices caused the fats and oils index to decline to the October 1942 level. The textiles group was the only group to advance as prices for raw cotton increased fractionally.

During the week two price series advanced while seven declined; in the preceding week there were seven advances and five declines, and in the second preceding week there were two advances and six declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week May 27, 1944	Preceding Week May 20, 1944	Month Ago Apr. 29, 1944	Year Ago May 29, 1943
25.3	Foods	137.4	138.5	138.6	140.8
	Fats and Oils	143.0	145.2	146.1	147.9
	Cottonseed Oil	156.7	156.7	159.6	159.0
23.0	Farm Products	154.4	155.0	155.5	152.8
	Cotton	201.0	199.7	200.5	202.0
	Grains	164.6	164.7	164.8	142.6
	Livestock	143.1	144.4	145.0	146.8
17.3	Fuels	130.1	130.1	130.1	122.8
10.8	Miscellaneous commodities	132.2	132.2	132.2	130.1
8.2	Textiles	152.3	152.1	152.2	151.4
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	153.4	153.4	152.4	152.6
1.3	Chemicals and drugs	127.7	127.7	127.7	126.6
.3	Fertilizer materials	117.7	117.7	117.7	117.7
.3	Fertilizers	119.7	119.7	119.7	119.8
.3	Farm machinery	104.3	104.3	104.3	104.1
100.0	All groups combined	136.8	137.2	137.0	135.7

*Indexes on 1926-1928 base were: May 27, 1944, 106.6; May 20, 106.9, and May 29, 1943, 105.7.

Twentieth Century Fund Aide Heads Special Libraries Association

Mrs. Louise Field, Research Associate, Twentieth Century Fund, was elected President of the New York Chapter of the Special Libraries Association at its annual meeting held in New York City on May 25. Mrs. Field succeeds Eva Trachsel, Librarian of Curtis Publishing Company. Other officers include Mary Anglemyer, Librarian, Post Library, Mitchell Field, L. I., who was elected First Vice-President; Mrs. Abigail Hausdorfer, Librarian, School of Library Service, Columbia University, who was elected Second Vice-President; Miss Isabel L. Towner, formerly with the National Health Library, who was elected Secretary; and Adrian A. Paradis, Department of Economic Planning, American Airlines, Inc., who was elected Treasurer. Miriam Zabriskie, Librarian, General Business Library, Western Electric Company, was elected to the Executive Board. Miss Trachsel will serve on the Board ex officio.

Daily Average Crude Oil Production For Week Ended May 20, 1944 Increased 11,400 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended May 20, 1944, was 4,513,400 barrels, an increase of 11,400 barrels over the preceding week and 507,650 barrels per day more than produced during the corresponding week of 1943. The current figure, however, was 6,300 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of May, 1944. Daily production for the four weeks ended May 20, 1944, averaged 4,491,300 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,483,000 barrels of crude oil daily and produced 13,536,000 barrels of gasoline, 1,738,000 barrels of kerosene, 4,675,000 barrels of distillate fuel oil and 8,415,000 barrels of residual fuel oil during the week ended May 20, 1944, and had in storage at the end of that week 87,962,000 barrels of gasoline, 7,600,000 barrels of kerosene, 31,088,000 barrels of distillate fuel and 49,977,000 barrels of residual fuel oil. The above figures apply to the country as a whole and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations May	*State Allowables begin May 1	Actual Production Week Ended May 20, 1944	Change from Previous Week	4 Weeks Ended May 20, 1944	Week Ended May 22, 1943
Oklahoma	330,000	328,000	†333,850	+ 300	334,200	319,800
Kansas	285,000	269,600	†283,800	+ 5,800	275,700	311,650
Nebraska	900		†1,000	+ 50	1,100	2,100
Panhandle Texas			91,000	----	91,000	91,100
North Texas			147,200	----	146,400	131,750
West Texas			429,150	----	415,400	226,750
East Central Texas			137,150	----	134,600	124,300
East Texas			364,100	----	363,600	339,300
Southwest Texas			307,050	----	303,500	214,000
Coastal Texas			519,850	----	519,600	375,200
Total Texas	1,972,000	‡1,976,904	1,995,500	----	1,974,200	1,502,400
North Louisiana			73,850	— 1,000	74,800	87,250
Coastal Louisiana			283,100	----	282,900	261,050
Total Louisiana	350,000	390,500	356,950	— 1,000	357,700	348,300
Arkansas	76,700	77,991	80,450	+ 150	80,100	72,600
Mississippi	43,000		41,050	— 50	41,600	56,350
Alabama			100	— 50	100	----
Florida			50	----	100	----
Illinois	220,000		214,600	+ 9,900	211,400	219,700
Indiana	14,000		12,350	+ 750	13,100	14,250
Eastern— (Not incl. Ill., Ind., Ky.)	73,800		70,850	— 550	71,900	80,000
Kentucky	23,000		21,650	+ 1,650	21,000	22,600
Michigan	54,000		46,350	— 5,750	50,600	57,900
Wyoming	94,000		81,150	— 450	87,600	92,700
Montana	24,400		21,400	----	21,400	20,550
Colorado	7,200		8,200	+ 100	8,200	6,600
New Mexico	111,700	111,700	108,200	— 3,850	111,100	96,950
Total East of Calif	3,679,700		3,677,500	+ 7,000	3,661,200	3,224,450
California	840,000	§840,000	835,900	+ 4,400	830,200	781,300
Total United States	4,519,700		4,513,400	+ 11,400	4,491,300	4,005,750

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. May 18, 1944.

‡This is the net basic allowable as of May 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 14 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED MAY 20, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

	Daily Refining Capacity		Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis					
District—	Potential Rate	% Reporting	Crude Runs to Stills Daily Average	% Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,518	90.3	2,313	91.9	6,449	38,226	16,085	14,639
Appalachian—								
District No. 1	130	83.9	105	80.8	341	2,452	484	232
District No. 2	47	87.2	53	112.8	132	1,264	132	161
Ind., Ill., Ky.	824	85.2	763	92.6	2,774	19,549	5,064	2,782
Okla., Kans., Mo.	418	80.2	361	86.4	1,320	8,252	1,320	1,229
Rocky Mountain—								
District No. 3	8	26.9	12	150.0	40	75	6	29
District No. 4	141	58.3	92	65.2	357	2,271	334	549
California	817	89.9	784	96.0	2,123	15,873	7,653	30,356
Total U. S. B. of M. basis May 20, 1944	4,903	87.3	4,483	91.4	13,536	†87,962	31,088	49,977
Total U. S. B. of M. basis May 13, 1944	4,903	87.3	4,400	89.7	13,618	87,823	30,763	49,737
U. S. Bur. of Mines basis May 22, 1943			3,689		10,415	85,649	30,837	67,754

*At the request of the Petroleum Administration for War. †Finished, 75,656,000 barrels; unfinished, 12,306,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,738,000 barrels of kerosine, 4,675,000 barrels of gas oil and distillate fuel oil and 8,415,000 barrels of residual fuel oil produced during the week ended May 20, 1944, which compares with 1,637,000 barrels, 4,545,000 barrels and 8,399,000 barrels, respectively, in the preceding week and 1,450,000 barrels, 3,613,000 barrels and 7,422,000 barrels, respectively, in the week ended May 22, 1943.

Note—Stocks of kerosine at May 20, 1944 amounted to 7,600,000 barrels, as against 7,049,000 barrels a week earlier and 6,112,000 barrels a year before.

Savs. Bank Officers Elect

The annual meeting of the Savings Banks Officers Forum, Group IV, was held recently and announcement was made of the election of officers for the coming year. These include: George A. Smyth, East River Savings Bank, President; Gabriel Wendel, Union Savings Bank of Westchester Co., Vice-President; Randolph H. Brownell, Union Square Savings Bank, Secretary; and William G. Beacom, Dry Dock Savings Institution, Treasurer.

Trading On New York Exchanges

The Securities and Exchange Commission made public on May 20 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended May 6, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended May 6 (in round-lot transactions) totaled 1,205,393 shares, which amount was 16.65% of the total transactions on the Exchange of 3,619,170 shares. This compares with member trading during the week ended April 29 of 945,576 shares, or 14.70% of the total trading of 3,216,380 shares. On the New York Curb Exchange, member trading during the week ended May 6 amounted to 226,550 shares, or 14.40% of the total volume on that exchange of 786,505 shares; during the April 29 week trading for the account of Curb members of 241,450 shares was 15.31% of total trading of 788,150 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 6, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	100,240	
‡Other sales	3,518,930	
Total sales	3,619,170	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	328,380	
Short sales	39,790	
‡Other sales	277,400	
Total sales	317,190	8.92
2. Other transactions initiated on the floor—		
Total purchases	185,700	
Short sales	9,320	
‡Other sales	155,490	
Total sales	164,810	4.84
3. Other transactions initiated off the floor—		
Total purchases	106,075	
Short sales	8,320	
‡Other sales	94,918	
Total sales	103,238	2.89
4. Total—		
Total purchases	620,155	
Short sales	57,430	
‡Other sales	527,808	
Total sales	585,238	16.65

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 6, 1944

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	4,935	
‡Other sales	781,570	
Total sales	786,505	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	54,695	
Short sales	2,365	
‡Other sales	47,525	
Total sales	49,890	6.65
2. Other transactions initiated on the floor—		
Total purchases	24,250	
Short sales	525	
‡Other sales	21,010	
Total sales	21,535	2.91
3. Other transactions initiated off the floor—		
Total purchases	32,110	
Short sales	900	
‡Other sales	43,170	
Total sales	44,070	4.84
4. Total—		
Total purchases	111,055	
Short sales	3,790	
‡Other sales	111,705	
Total sales	115,495	14.40
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	38,948	
Total purchases	38,948	
Total sales	23,921	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Eastern Cities Will Retain Industrial Leadership After War, Thompson Tells New York Group

With the return of peace Eastern cities which have lost population to the aircraft and shipbuilding centers of the Pacific coast will regain the position of industrial leadership they enjoyed before the war, Dr. Warren S. Thompson, director of the Scripps Foundation for Research in Population Problems, told members of the New York University Institute on Post-war Reconstruction on May 17, in the University's School of Education Auditorium, 35 West 4th Street.

"When peace comes those communities which have grow very rapidly purely as a result of new war industries are likely to lose population at an extremely rapid rate." Dr. Thompson said. In part he added:

"But while Los Angeles, San Francisco, Seattle, Portland and a number of other large cities may lose population rapidly in the immediate post-war years they will not be deflated to anything like the same extent as the smaller war boom communities. They might even retain some of their growth if they could organize new industries but this would involve a degree of community cooperation that we have never yet had in this country—a degree of cooperation beside which all previous efforts of chambers of commerce would fade into insignificance. Indeed, only the entry of our western states into the field of the state ownership of certain basic industries will enable the West Coast to maintain the industrial position it has gained during the war."

According to Dr. Thompson, centralization of population in large manufacturing centers will continue after the war. This will be particularly true of those cities which had diversified industries before the war, he said.

"Also making for the perpetuation of the war-time centralization of population" he said, is the fact "that war contracts have been heavily concentrated in the hands of a relatively few large concerns." Dr. Thompson also observed:

"I do not expect many of the factories established in small localities to survive after the war. They are not integrated into our economy and to survive they will not only have to turn to making products with which their management is unfamiliar but will have to meet very severe competition from the larger concerns which will have a surplus capacity when the war is over. I can see no reason why new plants in California, or Texas, or Utah should be kept in operation after the war by corporations which already had adequate productive capacity in the East before the war unless the volume of post-war production is going to be greatly in excess of pre-war production.

"On the whole therefore, I do not look for any great regional change in industrial activity nor can I see any rational basis for expecting a rapid decentralization of population. Indeed, it seems to me that the war has probably given a sharp setback to the decentralizing trend which seems to have begun between 1930 and 1940, although this beginning of decentralization may have been a depression phenomenon rather than in the line of normal economic development."

Dr. Thompson predicted that there would be a popular demand for more restricted immigration after the war. He also said that military considerations would probably not result in the strategic decentralization of industry in this country as it will in countries which have been subjected to intensive bombardment from the air.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on May 13 a summary for the week ended May 13 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended May 13, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	15,529
Number of shares	425,975
Dollar value	$18,401,648
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	148
*Customers' other sales	15,590
Customers' total sales	15,738
Number of Shares:	
Customers' short sales	4,852
*Customers' other sales	386,645
Customers' total sales	391,497
Dollar value	$14,194,356
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	70
†Other sales	118,460
Total sales	118,530
Round-Lot Purchases by Dealers:	
Number of shares	137,430

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Revenue Freight Car Loadings During Week Ended May 20, 1944 Increased 2,796 Cars

Loading of revenue freight for the week ended May 20, 1944, totaled 871,105 cars, the Association of American Railroads announced on May 25. This was an increase above the corresponding week of 1943 of 27,263 cars, or 3.2%, and an increase above the same week in 1942 of 33,429 cars, or 4%.

Loading of revenue freight for the week of May 20 increased 2,796 cars, or 0.3%, above the preceding week.

Miscellaneous freight loading totaled 386,264 cars, an increase of 1,029 cars above the preceding week, and an increase of 5,224 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 104,381 cars, a decrease of 2,070 cars below the preceding week, but an increase of 7,547 cars above the corresponding week in 1943.

Coal loading amounted to 176,870 cars, a decrease of 2,263 cars below the preceding week, but an increase of 10,058 cars above the corresponding week in 1943.

Grain and grain products loading totaled 40,640 cars, an increase of 629 cars above the preceding week but a decrease of 2,289 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of May 20, totaled 25,288 cars, an increase of 632 cars above the preceding week but a decrease of 2,570 cars below the corresponding week in 1943.

Livestock loading amounted to 14,484 cars, a decrease of 1,225 cars below the preceding week, but an increase of 1,150 cars above the corresponding week in 1943. In the Western Districts alone loading of livestock for the week of May 20 totaled 10,882 cars, a decrease of 1,073 cars below the preceding week, but an increase of 1,217 cars above the corresponding week in 1943.

Forst products loadings totaled 46,836 cars, a decrease of 376 cars below the preceding week but an increase of 2,191 cars above the corresponding week in 1943.

Ore loading amounted to 86,779 cars, an increase of 7,227 cars above the preceding week and an increase of 2,776 cars above the corresponding week in 1943.

Coke loading amounted to 14,851 cars, a decrease of 155 cars below the preceding week, but an increase of 606 cars above the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943 except the Pocahontas. All districts reported decreases compared with 1942, except the Eastern, Allegheny, Centralwestern and Southwestern.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
Week of May 6	836,978	816,538	839,286
Week of May 13	868,309	849,032	839,054
Week of May 20	871,105	843,842	837,676
Total	16,736,141	16,095,374	16,882,125

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended May 20, 1944. During the period 77 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED MAY 20

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Eastern District—					
Ann Arbor	255	276	469	1,525	1,384
Bangor & Aroostook	1,115	750	1,672	359	232
Boston & Maine	7,019	6,479	6,034	14,810	14,364
Chicago, Indianapolis & Louisville	1,377	1,470	1,360	2,065	1,948
Central Indiana	38	36	28	31	51
Central Vermont	1,067	1,120	952	2,139	2,519
Delaware & Hudson	6,020	6,337	6,846	12,907	12,343
Delaware, Lackawanna & Western	7,900	7,820	7,553	12,172	12,426
Detroit & Mackinac	283	316	278	91	95
Detroit, Toledo & Ironton	1,781	1,829	1,767	1,324	1,371
Detroit & Toledo Shore Line	341	282	278	2,561	2,855
Erie	13,535	13,267	13,914	17,210	19,158
Grand Trunk Western	3,867	3,677	3,487	8,683	8,241
Lehigh & Hudson River	187	237	195	3,115	2,610
Lehigh & New England	1,952	2,076	2,188	1,592	1,671
Lehigh Valley	9,186	8,039	8,879	16,975	14,099
Maine Central	2,204	2,162	2,199	2,946	1,963
Monongahela	6,513	6,470	6,289	296	390
Montour	2,772	2,489	2,314	23	111
New York Central Lines	51,238	51,917	45,398	54,704	53,438
N. Y., N. H. & Hartford	10,313	9,683	9,900	19,466	18,935
New York, Ontario & Western	1,194	1,080	963	3,666	2,481
New York, Chicago & St. Louis	6,400	7,239	7,859	16,512	15,793
N. Y., Susquehanna & Western	505	561	412	1,917	2,448
Pittsburgh & Lake Erie	7,905	7,728	8,214	9,658	9,949
Pere Marquette	4,881	5,221	5,355	7,905	7,544
Pittsburg & Shawmut	883	924	709	33	10
Pittsburg, Shawmut & North	385	413	378	322	270
Pittsburgh & West Virginia	1,333	1,214	1,011	2,735	3,934
Rutland	365	342	387	1,049	1,017
Wabash	5,666	4,957	5,105	13,619	11,621
Wheeling & Lake Erie	6,312	6,702	5,608	4,299	4,964
Total	164,792	163,113	158,001	236,709	230,235
Allegheny District—					
Akron, Canton & Youngstown	779	756	680	1,252	1,287
Baltimore & Ohio	48,428	41,738	40,530	28,567	28,887
Bessemer & Lake Erie	7,321	6,631	7,737	2,196	2,169
Buffalo Creek & Gauley	309	264	325	5	4
Cambria & Indiana	1,634	1,303	1,978	3	6
Central R. R. of New Jersey	7,203	6,998	6,767	20,293	22,387
Cornwall	515	669	621	54	41
Cumberland & Pennsylvania	251	276	303	13	19
Ligonier Valley	163	145	136	39	35
Long Island	1,323	1,121	884	3,889	3,986
Penn-Reading Seashore Lines	1,743	1,765	1,730	2,882	3,215
Pennsylvania System	88,998	83,883	83,307	69,045	69,384
Reading Co.	15,298	15,167	14,517	27,306	29,227
Union (Pittsburgh)	20,500	22,011	21,455	7,495	7,708
Western Maryland	4,125	4,011	3,906	12,529	12,652
Total	198,590	186,738	184,876	175,568	181,007
Pocahontas District—					
Chesapeake & Ohio	29,037	29,435	28,838	14,360	14,435
Norfolk & Western	21,725	22,773	22,522	7,752	7,498
Virginian	4,688	4,784	4,245	2,152	2,057
Total	55,450	56,992	55,605	24,264	23,996
Southern District—					
Alabama, Tennessee & Northern	311	311	386	455	261
Atl. & W. P.—W. R. R. of Ala	810	673	673	3,359	2,985
Atlanta, Birmingham & Coast	711	770	876	1,432	1,311
Atlantic Coast Line	12,320	12,587	12,862	10,235	10,996
Central of Georgia	3,780	4,281	3,551	5,239	4,401
Charleston & Western Carolina	418	469	411	1,855	2,112
Clinchfield	1,665	1,548	1,608	2,953	2,935
Columbus & Greenville	236	331	322	258	147
Durham & Southern	153	109	209	652	604
Florida East Coast	1,672	2,074	1,721	1,487	1,761
Gainesville Midland	52	37	31	158	94
Georgia	1,254	1,110	1,226	3,095	3,199
Georgia & Florida	340	373	363	698	583
Gulf, Mobile & Ohio	3,996	3,840	4,301	4,215	4,349
Illinois Central System	28,748	25,526	27,773	17,037	22,039
Louisville & Nashville	25,761	27,547	27,386	12,602	11,632
Macon, Dublin & Savannah	207	209	154	1,092	836
Mississippi Central	284	224	182	751	342
Nashville, Chattanooga & St. L.	3,395	3,566	3,699	4,644	4,841
Norfolk Southern	980	1,227	1,269	1,706	1,605
Piedmont Northern	396	365	325	1,083	1,181
Richmond, Fred. & Potomac	413	393	529	10,869	11,599
Seaboard Air Line	10,639	11,242	11,289	9,298	8,281
Southern System	24,032	22,142	23,075	25,335	23,960
Tennessee Central	732	623	674	929	954
Winston-Salem Southbound	134	130	123	1,210	868
Total	123,439	121,707	125,018	122,647	123.876
Northwestern District—					
Chicago & North Western	19,713	19,393	21,526	13,062	12,777
Chicago Great Western	2,828	2,450	2,294	3,089	3,004
Chicago, Milw., St. P. & Pac.	21,191	19,034	19,015	11,060	9,918
Chicago, St. Paul, Minn. & Omaha	3,351	3,260	3,326	3,637	3,773
Duluth, Missabe & Iron Range	30,048	26,294	28,610	191	169
Duluth, South Shore & Atlantic	671	1,186	1,290	510	447
Elgin, Joliet & Eastern	9,230	8,337	10,371	10,776	10,725
Ft. Dodge, Des Moines & South	242	407	592	43	99
Great Northern	21,765	24,149	24,209	7,119	5,906
Green Bay & Western	442	424	557	1,010	834
Lake Superior & Ishpeming	1,980	2,984	3,272	56	33
Minneapolis & St. Louis	1,869	1,957	1,898	2,455	1,923
Minn., St. Paul & S. S. M.	6,697	6,665	7,416	4,458	3,039
Northern Pacific	10,230	10,497	10,371	5,954	5,657
Spokane International	180	171	172	760	631
Spokane, Portland & Seattle	2,793	2,535	2,510	3,528	3,687
Total	133,230	129,743	137,429	67,708	62,622
Central Western District—					
Atch., Top. & Santa Fe System	22,573	21,901	22,204	12,126	13,020
Alton	3,210	2,553	2,853	3,450	4,826
Bingham & Garfield	395	650	671	88	123
Chicago, Burlington & Quincy	17,957	16,364	15,826	13,611	10,486
Chicago & Illinois Midland	3,540	2,800	2,560	839	824
Chicago, Rock Island & Pacific	11,517	12,726	11,341	12,637	12,980
Chicago & Eastern Illinois	2,538	2,379	2,559	6,444	5,665
Colorado & Southern	698	715	783	2,462	2,287
Denver & Rio Grande Western	3,624	3,386	2,747	6,107	6,026
Denver & Salt Lake	699	642	626	21	29
Fort Worth & Denver City	804	780	888	1,511	2,404
Illinois Terminal	*2,158	1,546	1,914	*1,915	1,469
Missouri-Illinois	876	1,009	1,383	688	439
Nevada Northern	1,748	2,079	2,018	129	126
North Western Pacific	829	1,102	1,012	748	692
Peoria & Pekin Union	4	4	10	0	0
Southern Pacific (Pacific)	31,454	31,229	28,815	13,846	13,265
Toledo, Peoria & Western	247	239	288	2,015	1,743
Union Pacific System	14,077	12,295	11,576	17,234	16,389
Utah	541	579	591	1	2
Western Pacific	2,229	2,227	1,987	4,242	3,524
Total	121,718	117,205	112,652	100,114	96,319
Southwestern District—					
Burlington-Rock Island	315	1,032	133	586	169
Gulf Coast Lines	7,437	6,476	5,068	2,927	2,367
International-Great Northern	2,735	2,528	3,049	3,987	3,654
Kansas, Oklahoma & Gulf	285	232	250	908	276
Kansas City Southern	6,072	4,746	5,185	2,863	1,714
Louisiana & Arkansas	3,650	3,581	3,464	2,924	3,192
Litchfield & Madison	459	329	360	1,103	1,060
Midland Valley	697	353	716	552	286
Missouri & Arkansas	189	97	129	564	121
Missouri-Kansas-Texas Lines	6,603	5,015	4,757	5,325	3,381
Missouri Pacific	16,005	14,271	15,494	20,198	20,915
Quanah Acme & Pacific	70	51	102	363	212
St. Louis-San Francisco	8,603	6,867	8,196	8,837	9,305
St. Louis Southwestern	2,948	2,860	2,756	7,594	6,799
Texas & New Orleans	13,193	14,838	10,266	5,144	5,390
Texas & Pacific	4,480	4,941	3,964	7,669	9,062
Weatherford M. W. & N. W.	119	99	163	60	45
Wichita Falls & Southern	26	28	43	46	17
Total	73,886	68,344	64,095	71,650	67,965

Note—Previous year's figures revised.
*Previous week's figure.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	 Cumulative
Feb. 5	185,069	151,102	628,048	97	93
Feb. 12	154,797	151,870	630,449	97	94
Feb. 19	130,252	148,533	609,429	96	94
Feb. 26	151,980	139,044	621,875	93	94
March 4	178,375	146,926	650,606	95	94
March 11	152,627	144,761	655,682	95	94
March 18	136,105	150,940	639,537	95	94
March 25	125,806	147,604	613,978	97	94
April 1	138,724	141,959	607,537	93	94
April 8	179,056	144,422	635,727	94	94
April 15	145,936	143,883	636,176	92	94
April 22	138,712	158,871	610,555	98	94
April 29	147,768	156,041	601,880	98	95
May 6	186,666	158,534	628,495	98	95
May 13	144,921	150,435	620,728	95	95
May 20	140,287	157,370	602,062	97	95

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Roosevelt And Dewey Congratulate School On 25th Anniversary

A message from President Roosevelt felicitating the New School for Social Research upon the occasion of the 25th anniversary of its founding was read at a dinner at the Waldorf-Astoria on May 22 signalizing the event, at which also congratulations from Gov. Dewey of New York were announced. President Roosevelt, in his message addressed to Louis S. Weiss, Chairman of the Board of Directors of the School, as given in the New York "Times," said:

May 18, 1944.

Dear Mr. Weiss:

My hearty congratulations to you and through you to all friends of the New School for Social Research on the 25th anniversary of its founding.

I am glad, too, that after 25 years of outstanding work you still cling to the original name "New School." It shows that the school maintains an atmosphere of youth and vitality in an ever-changing world. This is particularly important in the field of education.

It is therefore of deep significance that this institution of learning established under the inspiration of freedom has blazed new trails and grown from its small beginnings to an institution of national and international renown. I trust that the school's devotion to the ideals of freedom and the spirit of liberalism will continue and that the sphere of its influence for good will broaden in the decades that lie ahead.

Very sincerely yours,
FRANKLIN D. ROOSEVELT.

Governor Dewey in his message, according to the "Times," pointed out that he had had the benefit of attending courses at the New School 15 years ago. He saluted the school "as a genuine and creative addition to the cultural life of the city and the State," and said that its "place among institutions of learning is unquestioned and unchallenged." From the same paper we quote:

Dr. J. Hillis Miller, Associate State Commissioner of Education, announced at the dinner that the school had received the power to grant the Bachelor of Arts degree. The Board of Regents, at its meeting on May 19, Dr. Miller reported, voted to amend the school's absolute charter so that it can now confer the Bachelor of Arts degree in addition to Master and Doctor of Social Science degrees.

Other speakers included Senator Elbert D. Thomas of Utah, Dr. Alvin Johnson, director of the New School, and Dr. George N. Shuster, President of Hunter College. Leon Fraser, chairman of the 25th anniversary committee of the New School, was toastmaster.

Lumber Movement—Week Ended May 20, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 508 mills reporting to the National Lumber Trade Barometer were 2.5% above production for the week ended May 20, 1944. In the same week new orders of these mills were 7.5% below production. Unfilled order files of the reporting mills amounted to 126.0% of stocks. For reporting softwood mills, unfilled orders are equivalent to 41 days' production at the current rate, and gross stocks are equivalent to 31 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 8.0%; orders by 12.2%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 33.1% greater; shipments were 36.4% greater; and orders were 23.1 greater.

Items About Banks, Trust Companies

James W. Maitland has been elected a trustee of the New York Savings Bank at 8th Avenue and 14th Street. Mr. Maitland is a director of Central & South West Utilities, a director of American Public Service Co. and a director on the Executive Committee of the Hotel Waldorf.

The death is announced of Norman L. Noteman, pioneer in the field of personal finance and one of the founders of the First National Bank in New Rochelle, who died on May 26 at the Columbia-Presbyterian Medical Center. He was 66 years old. In the New York "Sun" of May 27 it was stated:

Organizing and directing the National Loan Societies in New York, Philadelphia and Boston, merged with the Household Finance Corporation in 1942, Mr. Noteman developed chain offices and standardized methods in the personal loan business. He was formerly a Vice-President and Director of the New Rochelle bank. A member of the Consolidated Stock Exchange, now dissolved, he was also President and a Director of the National Securities Corporation.

Mr. Noteman was born on a farm in Kansas, the son of a family from New York State. Moving to Kankakee, Ill., with his parents, he worked as a grocery clerk and court reporter to put himself through business school and the Detroit College of Law, from which he was graduated in 1902.

Mr. Noteman maintained homes in New Rochelle, Maryland, and Miami Beach. He took part in the development of Miami Beach and was active in yachting clubs in all three places.

At a special meeting of the common and preferred stockholders of The First National Bank and Trust Co., Conn., on May 27, it was voted to approve the plan for increasing the common stock of the Bank to $2,205,000 by the sale of 18,900 shares at $53.00 per share, as recommended by the Board of Directors in a notice sent to stockholders on May 17; the proposal was referred to in our issue of May 25, page 2184.

The plan approved by the stockholders provides that holders of common stock of record at the close of business on May 26 will be entitled to subscribe to new shares at $53.00 per share in the ratio of three new shares for each four shares held. The rights will expire June 6. Preferred stockholders of record June 6 will be entitled to subscribe on a pro rata basis to such new shares of common stock as have not been subscribed for by holders of common stock. These rights will expire on June 16. This offering of additional shares, to be made first to common stockholders and then to preferred stockholders, will be underwritten by a group of Connecticut investment bankers. The advices from the bank May 27 also said:

"This action is part of a program for the elimination of the two classes of senior shares which were issued in 1934 to provide additional capital funds in the amount of $1,780,000. At that time, the bank issued $630,000 of Prior Preferred stock which was sold at the par value of $100 per share and $920,000 of $100 par Convertible Preferred stock, which was sold at $125 a share. It was the intention at that time to retire these senior capital issues as rapidly as possible through the issuance of common stock and thus return to the traditional form of bank capitalization, that is, a single class of shares with no preference.

"Substantial progress has already been made toward this objective. In the years 1936-1941, inclusive, the entire issue of $630,000 prior preferred stock was retired at par in several installments. This was made possible by the accumulation of earnings not distributed as dividends. As the prior preferred stock was retired, the common stock was increased in corresponding amounts through the declaration of stock dividends.

"Upon completion of the proposed changes, the capital stock of the Bank will consist solely of 44,100 shares of common stock, and hence a much larger portion of the bank's earnings may be disbursed to common shareholders. At a recent meeting of the directors, a semi-annual dividend of $1.25 per share on the common stock was declared, thus placing the stock on a $2.50 annual dividend basis.

Donald Symington, former President of the Baltimore Trust Company of Baltimore, Md., died suddenly on May 22. He was 62 years of age. From the Baltimore "Sun" we quote:

At the time of his death he was President of the McConway-Torley Company, Pittsburgh, with which he had been associated for ten years. As President, he had been active in the development of improved railroad equipment and a new type of tank armor now used extensively by the army.

He also was director of a number of other corporations, including the United States Lines, which recently merged with the International Mercantile Marine Co. . . .

With his brothers he was identified in early life with the steel and railroad-equipment business here. In the early 1920's he entered the banking field.

Be became President of the Baltimore Trust Company in Jan., 1927, succeeding Eugene L. Norton, and was made Vice-Chairman of the company's executive committee in 1931, resigning in November of that year.

While President, he received in 1929 from a committee of Baltimore architects a medal awarded annually to owners of the best-designed building erected in the city. The committee cited the Baltimore Trust Building as a "splendidly conceived and expertly executed" building.

In the first World War, as a captain, he served as chief munitions officer of the First Army of the American Expeditionary Force, and was in France for several months.

He also had been a director of the Western Electric Co., President of the old Baltimore Mail Steamship Co., Chairman of the boards of the Gould Coupler Co. and the Locke Insulator Co., and a Director of the Glenn L. Martin Co.

In his first public statement since accepting the Presidency of the bank on April 15, President John K. Thompson of the Union Bank of Commerce of Cleveland at its annual meeting on May 24 called on stockholders to join in a concerted effort to make the bank one of the outstanding commercial institutions in the nation. In a brief speech which departed sharply from the customary financial message usually expected at an annual meeting, he said that the Union Bank of Commerce already possesses a remarkably favorable combination of financial, physical and psychological assets which are ready to support consistent growth. "We have every requisite for sound future development," he told the stockholders. "We have a wonderfully clean balance sheet, approximately $8,000,000 of capital funds, a strategically-located banking office, an able board of directors, a well-trained staff and a splendid list of customers." He added:

"But in addition to these things we have the psychological advantage of concentrating all of our efforts in the field of commercial banking. We can devote our entire energies to rendering a superlative service in this field. With our stockholders, directors and staff all working for this single purpose, our bank should take its rightful place among the finest commercial institutions in America."

Net earnings from current operations amounting to $685,302, equal to $19.41 a share, were reported for the year ended April 30, 1944, comparing with $347,228, or $9.84 a share, for the preceding year. Net increase in undivided profits was $439,637, or $12.45 a share, comparing with $219,751, or $6.23 a share, for the year preceding. These earnings were considerably the highest in the bank's six-year history, Mr. Thompson pointed out. The statement of condition at April 30, 1944, showed $22,781,712 cash, $57,237,134 of U. S. Government securities, $19,668,157 of loans and discounts, and total assets of $101,719,712.

Three new directors were elected by stockholders. They are R. L. Ireland, Jr., President of Hanna Coal Co.; Miller B. Pennell, attorney, and G. G. Wade, President of Wade Realty Co. With the retirement from the Union Commerce Board of Henry S. Sherman, President of Society for Savings, the board now stands at 12 members. At the organization meeting of directors following the shareholders' meeting, all officers were relected without change.

Reference to the election of Mr. Thompson as President of the bank appeared in our issue of April 27, page 1752.

Announcement is made of the election of Arthur E. Wright, President of Manufacturers Railway Co., to the board of the Manufacturers Bank and Trust Co. of St. Louis.

From special Houston, Tex., advices May 20 to the Dallas "Times-Herald" it is learned that William H. Baugh, President of the Heights State Bank of Houston, has been elected President of the City National Bank of Houston.

Albert J. Martin, for 2½ years, a national bank examiner in Houston, has been elected a Vice-President of the First National Bank of Houston, it is stated, and H. T. Eldridge has been promoted to Vice-Presidency of the same bank.

Wiggins, Thomson And Morgan AIB Guests

A. L. M. Wiggins, President of the American Bankers Association, Geoffrey F. Morgan, Manager of the Speakers Bureau of the Douglas Aircraft Co., and J. Cameron Thomson, President of the Northwest Bancorporation of Minneapolis are to be the guest speakers at the Wartime Conference of the American Institute of Banking to be held in St. Louis June 6-8, it is announced by David L. Colby, National President of the Institute, who is Assistant Vice-President of the Boatmen's National Bank in St. Louis. Mr. Thomson was National President in the year 1918-1919. This meeting will mark the 25th anniversary of his election to that office.

The conference, to which reference was made in our issue of May 25, page 2175, which will constitute the 42nd annual meeting of the AIB, will be a streamlined two-and-a-half-day affair devoted to the transaction of essential business of the Institute, election of officers and discussion of wartime bank personnel training problems. There will be two general business sessions, one Tuesday afternoon, June 6, and a second Thursday morning, June 8. In between there will be an educational conference Wednesday morning (a Chapter Administration conference Wednesday afternoon, and the National Public Speaking Contest for the A. P. Giannini Endowment prizes which will be held the first evening—that is, Tuesday, June 6. The subject to be discussed by the speakers is, "National Economic Policies for the Post-War Period."

The delegates will be welcomed to St. Louis at the opening session by W. L. Hemingway, President of the Mercantile-Commerce Bank & Trust Co. in that city, who is immediate Past-President of the American Bankers Association. Mr. Wiggins will be the main speaker at this session. His topic will be, "The Widening Horizons in the Education of a Banker." Mr. Thomson's address will open the educational conference and Mr. Morgan will speak at the closing general session. His topic will be, "The Shape of Wings to Come." Among the topics to be covered in the educational conference include "Institute Training for Bank Women," "The Forum and Seminar of Educational Techniques," and "Application of Job Instructor Training to Banking." Subjects at the Chapter Administration conference will revolve around the development of Chapter leadership.

Attendance at the conference is being restricted in keeping with wartime railroad and hotel burdens. Chapters are asked to limit their representation to two delegates in the case of chapters or study groups with membership of 100 or less, plus one delegate for each additional 100 members or fraction thereof, and in no case more than 10 delegates.

Senate Confirms Forrestal As Secretary Of Navy

James V. Forrestal who was named by President Roosevelt on May 10 as Secretary of the Navy succeeding the late Frank Knox, took the oath of office as Secretary on May 19. The oath was read by Rear Admiral Thomas L. Gatch, Judge Advocate General of the Navy, at a brief ceremony in Mr. Forrestal's office, attended by high ranking officers and members of Congress. Reference to Mr. Forrestal's appointment as Secretary of the Navy appeared in our issue of May 18, page 2064, at which time it was noted that the Senate Naval Affairs Committee unanimously recommended confirmation of the nomination on May 15.

Stating that the Senate on May 17 confirmed the nomination of Mr. Forrestal (formerly Under Secretary) as Secretary to carry on the sea war which, in his own words, has been so successful that Japan's outer Pacific defenses have been beaten down to the level of "a line of defense in name only." Associated Press accounts from Washington, May 17, added:

"The Senate acted shortly after the former Under Secretary, at his first news conference since his nomination to succeed the late Frank Knox, paid that tribute to the fighting forces at sea.

"Following the course of the Naval Committee which approved the appointment unanimously on Monday without questioning the 52-year-old former New York financier on his qualifications, the Senate ratified his nomination without even taking a formal vote.

"As evidence of the accuracy of his description of the Japanese position, Forrestal cited to reporters that American sea forces have penetrated 1,500 miles within the enemy defense perimeter extending from the north Pacific Kuriles through the mid-Pacific eastern Marshalls to the Bismarck archipelago.

"He invited Major General William H. Rupertus, Commander of the First Marine Division, which drove the Japanese from Cape Gloucester on New Britain island last December, to sit in with him.

"Rupertus said that in the Cape Gloucester operation American casualties totaled about 300 men killed and 1,000 wounded, while nearly 10,000 Japanese were either killed or wounded. He said 4,500 Japanese dead had been counted."

The death of Secretary Knox on April 28, was reported in our May 4 issue, page 1842.

Signed Agreements From Brokers And Dealers In Govt. Securities Asked By Reserve Bank

It was made known on May 16 by Allan Sproul, President of the Federal Reserve Bank of New York that oral agreements heretofore in force between the local Reserve Bank and certain brokers and dealers in Government securities will no longer suffice—agreements in written form now being required. According to the New York "Herald Tribune" Mr. Sproul explained that this step was taken at the direction of the Federal Open Market Committee, representing the first modification in qualification procedure since 1923, when open market operations commenced. We learn that no press announcements were given out by the Reserve Bank in the matter, but that the reporters present at the press conference were shown a copy of the agreement signed by the dealers to enable them to make notes with regard thereto.

It was emphasized, said the "Herald Tribune," that qualifications of brokers and dealers and their eligibility for doing business with the Open Market Committee had not been changed, but that the likelihood of continued high activity in the Government securities market for some time to come had made it desirable to place the bank-broker-dealer relationship on a more formal basis. From the same paper we also quote:

"At present, the move will affect only a small group of 17 New York and Chicago houses which will be asked to sign agreements, as well as possible newcomers. The requirements of the Federal Reserve Bank, in addition to integrity, knowledge and capacity of the management, are daily reports of the firm's condition to the fiscal authorities.

"Also, daily statements of the money borrowed against Governments, the par value of all obligations borrowed and other statistical data such as daily trading positions and a list of securities bought and sold for own account or that of others.

"The formalization of qualifying requirements was regarded yesterday as a matter of 'evolution' and no changes are anticipated in any way tending to influence continued maintenance of an orderly market in Treasury obligations, which has played an outstanding part in financing the war effort and facilitating the flow of huge funds."

In the New York "Times" of May 17 it was indicated that under the formal agreement dealers are called upon to furnish to the Committee both daily and longer period reports on such matters as daily position in the market, whether long or short; volume of business done; statements of capital and its relationship to the volume of business done, and what part of the volume is done for own account and as brokers. The "Times" also said:

It was explained at the Federal Reserve Bank yesterday that there is no minimum capital requirement. Rather, it was said, the determining factors include volume of business-to-capital ratio, whether the firm engages in speculative operations, and the volume of business done for own account or as brokers.